



WOKINGHAM BOROUGH COUNCIL

A Meeting of the **AUDIT COMMITTEE** will be held at the Civic Offices, Shute End, Wokingham, RG40 1BN on **TUESDAY 8 DECEMBER 2015 AT 7.00 PM**

A handwritten signature in black ink, appearing to read 'Andy Couldrick'.

Andy Couldrick
Chief Executive
Published on 30 November 2015

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Our Vision

A great place to live, an even better place to do business

Our Priorities

Improve educational attainment and focus on every child achieving their potential

Invest in regenerating towns and villages, support social and economic prosperity, whilst encouraging business growth

Ensure strong sustainable communities that are vibrant and supported by well designed development

Tackle traffic congestion in specific areas of the Borough

Improve the customer experience when accessing Council services

The Underpinning Principles

Offer excellent value for your Council Tax

Provide affordable homes

Look after the vulnerable

Improve health, wellbeing and quality of life

Maintain and improve the waste collection, recycling and fuel efficiency

Deliver quality in all that we do

MEMBERSHIP OF THE AUDIT COMMITTEE

Councillors

Guy Grandison (Chairman)	Paul Swaddle (Vice-Chairman)	David Lee
Beth Rowland	Chris Smith	Rob Stanton

ITEM NO.	WARD	SUBJECT	PAGE NO.
28.		APOLOGIES To receive any apologies for absence	
29.		MINUTES To confirm the Minutes of the Meeting of the Committee held on 28 September 2015.	5 - 10
30.		DECLARATION OF INTEREST To receive any declarations of interest	
31.		PUBLIC QUESTION TIME To answer any public questions A period of 30 minutes will be allowed for members of the public to ask questions submitted under notice. The Council welcomes questions from members of the public about the work of this committee. Subject to meeting certain timescales, questions can relate to general issues concerned with the work of the Committee or an item which is on the Agenda for this meeting. For full details of the procedure for submitting questions please contact the Democratic Services Section on the numbers given below or go to www.wokingham.gov.uk/publicquestions	
32.		MEMBER QUESTION TIME To answer any member questions	
33.	None Specific	RISK MANAGEMENT POLICIES AND GUIDANCE To consider the Risk Management Policies and Guidance.	11 - 38
34.	None Specific	CORPORATE RISK REGISTER REFRESH - NOVEMBER 2015 To receive an update on the Corporate Risk Register refresh - November 2015.	39 - 48

35.	None Specific	WOKINGHAM BOROUGH COUNCIL ANNUAL AUDIT LETTER YEAR ENDED 31 MARCH 2015 To receive the Wokingham Borough Council Annual Audit Letter year ended 31 March 2015.	49 - 58
36.	None Specific	WOKINGHAM BOROUGH COUNCIL PROGRESS REPORT To receive the Wokingham Borough Council Progress Report.	59 - 66
37.	None Specific	LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING To receive the Local Government Audit Committee briefing.	67 - 76
38.	None Specific	TREASURY MANAGEMENT MID-YEAR REPORT 2015/16 To receive the Treasury Management Mid Year Report 2015/16.	77 - 104
39.	None Specific	RETROSPECTIVE PURCHASE ORDERS To receive an update on retrospective purchase orders.	105 - 110
40.	None Specific	AUTHORISED SIGNATORIES - FINANCIAL REGULATIONS To discuss Authorised Signatories - Financial Regulations.	111 - 114
41.	None Specific	INTERNAL AUDIT AND INVESTIGATION Q2 PROGRESS REPORT 2015/16 To receive the Internal Audit and Investigation Q2 Progress Report 2015/16.	115 - 122
42.	None Specific	FORWARD PROGRAMME To receive the Forward Programme for the remainder of the 2015/16 municipal year.	123 - 124
43.		ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT A Supplementary Agenda will be issued by the Chief Executive if there are any other items to consider under this heading.	

CONTACT OFFICER

**Madeleine Shopland,
Principal Democratic
Services Officer
Tel
Email
Postal Address**

Tel 0118 974 6051, Email
madeleine.shopland@wokingham.gov.uk

0118 974 6319
madeleine.shopland@wokingham.gov.uk
Civic Offices, Shute End, Wokingham, RG40 1BN

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 28 SEPTEMBER 2015 FROM 7.00 PM TO 9.35 PM**

Committee Members Present

Councillors: Guy Grandison (Chairman), David Lee, Beth Rowland, Chris Smith and Rob Stanton

Also Present

Madeleine Shopland (Principal Democratic Services Officer),
Graham Ebers, Director of Finance and Resources,
Paul Ohsan Ellis, Team Manager Internal Audit,
Catherine Hickman, Service Manager, Shared Audit & Investigation Service
Stephen McGrail, Group Finance Service Manager
Maria Grindley (Ernst and Young)
Adam Swain (Ernst and Young)

15. APOLOGIES

An apology for absence was submitted from Councillor Swaddle.

16. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Committee held on 23 June 2015 were confirmed as a correct record subject to the removal of the words 'demonstrating that the treasury function had achieved favourable rates and durations of loans when financing the capital programme' and signed by the Chairman.

Members requested that in future officers from Ernst and Young be recorded under the heading 'Also present.'

17. DECLARATION OF INTEREST

There were no declarations of interest received.

18. PUBLIC QUESTION TIME

There were no public questions received.

19. MEMBER QUESTION TIME

There were no Member questions.

20. EXTERNAL AUDIT ANNUAL GOVERNANCE REPORT 2014/15

The Audit Director, Ernst & Young presented the External Audit Annual Governance Report 2014/15.

During the discussion of this item the following points were made:

- It was confirmed that the audit was now complete and that it was expected that an unqualified opinion would be issued on the financial statements.
- With regards to Value for Money Ernst & Young expected to conclude that the Council had made appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.
- Risk of management override had been previously identified as a significant audit risk. The Audit Director, Ernst & Young confirmed that no issues had come out of the audit work.

- In comparison with prior years there had been some issues with the quality and version control of working papers.
- From testing in relation to payroll one instance of a member of staff continuing to be paid for six months after leaving the Council's employment had been identified. This overpayment had been recovered in full from the individual, and other testing had confirmed that this was an isolated incident. Ernst & Young were satisfied that this did not represent a risk of material misstatement to the 2014/15 financial statements. However, it did indicate a potential weakness in the controls relating to the leavers process. Members were informed that this issue had also been identified internally. Councillor Lee asked how the Committee could be satisfied that systems were in place to ensure that this did not happen again. Members requested sight of the management response to the External Audit Letter.
- The current financial pressure on local authorities and the impact and necessity for continuous focus on financial resilience and use of resources represented a significant challenge over the medium term. The Council was benchmarked with regards to financial resilience and had prudent plans in place.
- Councillor Grandison questioned whether there were any areas of concern, such as the Highway Network Asset. The Committee discussed the Highway Network Asset in some detail. The Director of Finance and Resources stated that he would bring a position statement on the Council's preparedness regarding the Highway Network Asset to the Committee's February meeting.
- The Audit Director, Ernst & Young indicated that she and the Audit Manager, Ernst & Young would be moving on to work with other organisations. She thanked the Committee and Officers for their help and support over the years.

RESOLVED: That the External Audit Annual Governance Report 2014/15 be noted.

21. FINANCIAL STATEMENTS 2014/15

The Group Finance Service Manager and the Director of Finance and Resources took the Committee through the key points of the Financial Statements 2014/15.

During the discussion of this item the following points were made:

- Councillor Grandison expressed disappointment that the Financial Statements had followed the agenda. The Group Finance Service Manager explained that the audit had begun later than in previous years and that also some small amendments had been required which had had to be checked and rechecked. Members were reminded that the WISER system and the new ERP system had been implemented mid-year, which had had an impact. The Director of Finance and Resources commented that the Council also had Group Accounts which further complicated the production of the financial statements. He went on to praise the team for the work that they had undertaken.
- In response to a Member question regarding the Committee viewing the statements at draft stage, it was noted that the draft financial statement had been on the Council's website since 1 July. It was agreed that this could be better communicated to Members in future. The Director of Finance and Resources suggested that he meet with the Chairman of the Audit Committee in between the production of the draft and final financial statements for sign off, to discuss any issues.
- Councillor Rowland stated that it would be beneficial for the Committee to receive further training on reading the accounts.

- The Director of Finance and Resources commented that the Council's financial systems were robust and the value for money assessment positive. There were no unadjusted errors to report. However, the financial climate remained particularly challenging.
- The useable capital receipts reserve as at 31 March 2015 stood at £8.5m and the useable grants and contributions reserve stood at £14m. A further £20.9m was held under capital grants receipts in advance as these grants and contributions had conditions attached to them which dictated how they should be spent.
- It was the fifth year that the Council had produced Group Accounts and there were now seven Group Companies.
- Long Term Investments had reduced to £3k at 31 March 2015 compared to £1.953m at 31 March 2014.
- Councillor Smith questioned whether All Saints School should have been included on the Council's balance sheet in the previous financial year. The Group Finance Service Manager explained that CIPFA and the Department for Education had produced advice concerning councils reviewing voluntary aided schools in their area to determine if they should be included on the council's balance sheet.
- In response to a Member question regarding budget monitoring and the Group Accounts, it was clarified that the Executive undertook the budget monitoring role.
- It was noted that 5 years was used as the average life for software, although 20 years would be used for the Council's new ERP (Enterprise Resource Planning) system. Councillor Smith queried the 20 year commitment to the Enterprise Resource Planning system and was informed that the system would be upgraded during this period.
- The Group Finance Service Manager indicated that a prior period adjustment was not required for Note 15.
- Councillor Smith requested that the table relating to be depreciation set out on p118 of the agenda be presented more clearly in future.
- The Committee discussed Note 43 Events after the balance sheet date. Councillor Lee questioned the statement 'The Statement of Accounts was authorised for issue by the Director of Finance and Resources (S151 Officer) on 30 June 2015. Events taking place after this date are not reflected in the financial statements or notes.'
- The Group Finance Service Manager explained the provision for accumulating absences.

RESOLVED: That the financial statements and letter of representation for 2014/15 be approved.

22. RETROSPECTIVE PURCHASE ORDERS

The Director of Finance and Resources presented an update on retrospective purchase orders.

During the discussion of this item the following points were made:

- Reporting for August 2015 stood at 14%, which was very positive.
- Members were reminded of actions which had been taken to reduce the number of retrospective purchase orders, including writing to suppliers to request that a purchase order number was provided prior to the issuing of an invoice.
- The Committee was informed that in some instances there had been retrospective purchase orders for utility bills. Consideration was being given to blanket purchase orders for utilities.

- Councillor Rowland commented that it would be helpful in future to receive information about those retrospective purchase orders which did not relate to recurring matters such as utilities. Councillor Smith emphasised that it was important for Members to see the exceptions.
- The Director of Finance and Resources reminded Members of the sign off process for purchase orders.

RESOLVED: That the report and the actions being taken to reduce the incidence of raising retrospective purchase orders be noted.

23. CORPORATE RISK REGISTER UPDATE

Members considered the Corporate Risk Register Refresh – August.

During the discussion of this item the following points were made:

- No significant changes had been made to the Corporate Risk Register as part of the refresh.
- With regards to Risk 7 'A failure to follow procedures, equip the workforce with the right skills and training, or to deliver appropriate resources or services in a timely way raises a risk of serious or significant harm to a vulnerable child or young person with whom the council is working', Councillor Lee commented that the 'Further Actions to Mitigate Risk' section did not contain sufficient detail to provide the Committee with assurance of action being taken. He went on to comment that more consistency was needed regarding the amount of detail provided. Members agreed that it would be helpful to have more detail and context.
- The Service Manager – Shared Internal Audit and Investigation Service indicated that the Corporate Risk Register was a high level document and that elements could be drilled down further if required and that Internal Audit audited against more detailed controls set out within the Risk Register. Internal Audit would inform the Committee if any significant issues were identified in respect of those controls as part of their audit work.
- Councillor Grandison requested that Members be sent the list of controls of information.
- Councillor Stanton commented that the Corporate Risk Register was an important item and should be higher up the agenda in future.

RESOLVED: That the risks and mitigating actions of the Council's corporate risks as detailed in the Corporate Risk Register be noted.

24. INTERNAL AUDIT AND INVESTIGATIONS Q1 PROGRESS REPORT 2015/16

Members considered the Internal Audit and Investigation Progress Report which detailed the work of the team from 1 April 2015 to 31 August 2015.

During the discussion of this item the following points were made:

- At the end of August 2015 progress on the 2015/16 Internal Audit Plan was slow mainly due to a number of audits being deferred to later in the year at the request of management. In response to a Member question, the Service Manager – Shared Audit and Investigation Service confirmed that Internal Audit had been satisfied with the reasons given for deferral.
- A vacant post in the Shared Service had now been appointed to.

- The Shared Service was generating interest from other authorities. Work was being undertaken on behalf of Bracknell Forest Council in respect of internal audit activity and both Buckinghamshire and Oxfordshire councils for Investigations activity.
- The Investigations team had been developing common processes across Wokingham Borough Council and the Royal Borough of Windsor and Maidenhead. The Committee noted the Investigations Team's performance. It was confirmed that work relating to Social Care/Direct Payments related to a single case of fraud. In addition the team was undertaking proactive pieces of work.
- Councillor Stanton asked whether there was distinct financial advantages of having a Shared Service and was informed that some savings and efficiencies were being made but it was still early days.
- Councillor Lee asked that the Committee receive more detail on the individual audits, such as the scope, in future. Councillor Grandison suggested that when the Committee looked at the Audit Plan for the next year this could be considered.

RESOLVED: That Shared Internal Audit and Investigation Progress Report be noted.

25. INTERNAL AUDIT CHARTER REVIEW

The Committee considered the Internal Audit Charter, which described the purpose, authority, responsibilities and other relationships of the Councils' Internal Audit Service. The Internal Audit Charter was subject to annual review.

During the discussion of this item the following points were made:

- Councillor Stanton commented that the Charter would only be successful if all parties played their part and asked how the Committee could be sure that this was the case. Members were informed that there would be an external review of Internal Audit's compliance with the Public Sector Internal Audit Standards (PSIAS) later in the year, which would highlight how well the Charter, which was based on the PSIAS, was embedded.
- Councillor Lee questioned the use of the word 'independent' to describe Internal Audit and asked how this independence was ensured. The Service Manager – Shared Internal Audit and Investigation Service indicated that she reported to the Head of Governance and Improvement Services and, in accordance with the Internal Audit Charter had unrestricted access to the Chief Executive and Chairman of the Audit Committee, if required.
- It was confirmed that the Charter referred to the Audit Committee agreeing the Internal Audit, annual Audit Plan.

RESOLVED: That the Internal Audit Charter be approved.

26. FORWARD PROGRAMME

The Committee considered the Forward Programme.

During the discussion of this item the following points were made:

- A position statement on the Council's preparedness regard the Highways Network Assets would be taken to the Committee's meeting in February.
- It was suggested that the Corporate Risk Register be higher up the agenda.

RESOLVED: That the Forward Programme be noted.

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TITLE	Risk Management Policies and Guidance
FOR CONSIDERATION BY	Audit Committee on 8 December 2015
WARD	None Specific
DIRECTOR	Andrew Moulton

OUTCOME / BENEFITS TO THE COMMUNITY

The Enterprise Risk Management (ERM) Policy and supporting guidance provide the framework for sustaining effective management of risk at the Council. A robust risk management process will enable officers and members to make better informed decisions and become less risk adverse through a focus on risk and return. Effective risk management will help to reduce uncertainty and make effective provision for adverse events. These in turn will enhance the value for money delivered to taxpayers.

RECOMMENDATION

The Audit Committee recommend that Executive approve:

- 1) Enterprise Risk Management Policy; and
- 2) Enterprise Risk Management Guidance.

SUMMARY OF REPORT

Both the policy and guidance have been subject to a high level review. They have been found to be sound and present a solid basis for the management of risk going forward.

The main changes are:

- The role of the Risk Champions and the Risk Management Group has been split between Departmental Leadership Teams and the Council Risk Facilitator – see section 5 of the Policy
- The Risk Register template has been updated – see section 11 of the Guidance
- Further detail added in explain Risk Appetite – see section 12 of the Guidance

The ERM Policy sets out the Council's approach to risk management. The policy aims to achieve a pragmatic and effective approach to risk management that adds value to decision makers and does not impose an excessive bureaucratic or administrative burden.

Background

Both documents in their current form were last approved by the Executive in January 2015.

Analysis of Issues

The key issue for Audit Committee is whether the policy and supporting guidance provide a sufficiently robust framework for the management of the Council's key

strategic risks.

Audit Committee may like to use this opportunity to consider the Council's overall approach to risk management and whether this is aligned to the current level of risk the Council is taking.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A	Yes	N/A
Next Financial Year (Year 2)	N/A	Yes	N/A
Following Financial Year (Year 3)	N/A	Yes	N/A

Other financial information relevant to the Recommendation/Decision

N/A

Cross-Council Implications (how does this decision impact on other Council services, including properties and priorities?)

N/A

Reasons for considering the report in Part 2

N/A

List of Background Papers

None

Contact Julie Holland	Service Governance and Improvement Services
Telephone No 0118 974 6630	Email Julie.Holland@wokingham.gov.uk
Date 27 November 2015	Version No. 1



Enterprise Risk Management Policy

A Framework for Managing Opportunity and Risk

Date:	27 November 2015
Version:	13.0
Classification:	Unclassified
Authors:	Julie Holland - Risk Management Facilitator
Quality Assurance:	Paul Ohsan Ellis - Internal Audit Manager

VERSION	DATE	DESCRIPTION
1.0	15 February 2009	Working Draft
2.0	3 March 2009	Working Draft
3.0	9 March 2009	Initial Release
4.0	11 March 2009	Draft for Consultation
5.0	25 March 2009	Draft for SLB Approval
6.0	30 April 2009	Draft for Audit Committee Adoption
7.0	13 May 2009	Draft for Approved Audit Committee
8.0	14 May 2009	Final Adopted Audit Committee 13/5/09
9.1	18 June 2010	Risk Management Group Refresh 2010-11
9.2	9 July 2010	Revised Draft for SLB Adoption
9.3	9 September 2010	Revised Draft for Audit Committee Adoption
9.4	7 October 2010	Final Adopted Audit Committee 22/09/10
10.0	31 October 2012	Revised Draft for CLT Adoption
11.0	28 November 2012	Final Adopted by Audit Committee
12.0	4 February 2014	Final Adopted by Audit Committee
12.1	21 November 2014	Final Adopted by Audit Committee
13.0	27 November 2015	Draft for Audit Committee

1.0 Introduction

- 1.1 Wokingham Borough Council's environment is complex and dynamic. The Council provides services directly, through partnership working and via contractors to approximately 150,000 residents of the Borough. The Council's gross annual budget is in excess of £280 million. Risks (threats and opportunities) are inherent in all services and activities provided.
- 1.2 The importance of this Policy to the Council will increase given that the Council is becoming less risk adverse (i.e. accepting greater levels of risk) through its ambitious aspirations for the Borough, service delivery models (companies, trusts and partners), and greater use of technology. Managers will be less controlled through rules based management but empowered to take risks and opportunities as they arise.
- 1.3 The Council and its partners are working together to deliver the Council's Corporate Plan and long term Vision for the borough: "A great place to live, an even better place to do business". The Council has identified priorities and underlying principles to enable it to deliver on its Vision for the borough.
- 1.4 This Enterprise Risk Management Policy (ERM) commits the Council to an effective Risk Management Guidance in which it will adopt best practices in the identification, evaluation and control of risks in order to:
 - strengthen the ability of the Council in achieving its vision, priorities, underlying principles and objectives and to enhance the value of the services it provides;
 - adopt best practices in decision making through identification, evaluation and mitigation of risk;
 - integrate and embed proactive risk management into the culture of the Council;
 - heighten the understanding of all the positive risks (opportunities) as well as negative risks (threats) that the Council faces;
 - manage risks cost-effectively and to an acceptable level;
 - reduce the risk of injury and damage;
 - help secure value for money;
 - help enable the Council to be less risk adverse;
 - enhance partnership and project working; and
 - raise awareness of the need for risk management.
- 1.5 This policy will allow management to make better informed decisions and become less risk adverse through a focus on risk and return which in turn will enhance the value of money provided to our taxpayers (domestic and non-domestic). This policy will be implemented through the development and application of an ERM Guidance. The ERM Guidance shall be approved by Corporate Leadership Board and the Audit Committee and Executive on behalf of the Council.

2.0 Scope

- 2.1 The importance of ERM within the Council transcends every policy, Guidance and individual transaction, since losses arising from the failure to manage risk or take opportunities can have systemic repercussions for the Council. As such, effective ERM is of interest to all our stakeholders including Members, managers, inspectors, residents, taxpayers and suppliers.



- 2.2 This policy is also applicable to the council's interests in its wholly-owned subsidiaries. The officer responsible for the council's interest in the subsidiary should be familiar with this policy and remains accountable for the management of all such risks.
- 2.3 Nothing in this policy overrides the Health and Safety risk assessment process which aligns with Health and Safety Executive guidance and are recorded in WISER. Significant project and H&S risks should be identified on risk registers where appropriate.
- 2.4 The Chief Executive, the Corporate Leadership Team, Extended Corporate Leadership Team, 2nd and 3rd Tier Managers, Members of the Audit Committee, Members of the Overview and Scrutiny Committee and the Executive should be fully familiar with this policy.
- 2.5 All other staff and elected Members should be aware of it.

3.0 ERM Principles

3.1 This policy and the ERM Guidance shall be premised upon a common understanding and application of the following principles:

PRINCIPLE 1	The informed acceptance of risk is an essential element of good business guidance.
PRINCIPLE 2	Risk management is an effective means to enhance and protect the Council over time.
PRINCIPLE 3	Common definition and understanding of risks is necessary, in order to better manage those risks and make more consistent and informed business decisions.
PRINCIPLE 4	The management of enterprise risk is an anticipatory, proactive process, to be embedded in the corporate culture and a key part of strategic planning, business planning and operational management.
PRINCIPLE 5	All risks are to be identified, assessed, measured, managed, monitored and reported on in accordance with the Enterprise Risk Management Guidance based on best available information.
PRINCIPLE 6	All business activities are to adhere to risk management practices which reflect effective and appropriate levels of internal controls.
PRINCIPLE 7	2 nd Tier Managers should bring to the attention of their respective executive portfolio holders all significant risks on a timely basis.

4.0 Approach to ERM

4.1 This policy is aligned with the Council’s Corporate Governance Framework. This policy recognises the actions that Council makes with respect to the achievement of its Vision, priorities, underlying principles and business objectives are ultimately tied to decisions about the nature and level of risk it is prepared to take and the most effective means to manage and mitigate those risks. ERM covers all the council’s risks in a unified and consistent manner.

4.2 Risk management at the Council shall be based on an understanding of the quality and nature of the Council’s assets and its sources of revenue, and the impact of any associated potential liabilities. This policy, the ERM Guidance, the related management policies and procedures and management committees, shall enable management and the Corporate Leadership Team to meet their ERM responsibilities.

4.3 The Council’s approach to risk management is detailed in its ERM Guidance which is available on the Council’s internet and intranet.

5.0 Assignments and responsibilities

5.1 Where possible, ERM shall be integrated into existing corporate processes, thus becoming part of regular day-to-day business and activities. ERM shall be a collective and collaborative effort by the Council in order to achieve an effective system for the management of risk.

5.2 The following describes the roles and responsibilities that Members and Officers will play in introducing, embedding and owning the risk management

process and therefore contributing towards the best practice standards for risk management.

5.3 **Chief Executive**

- The Chief Executive has overall responsibility for the management of all significant risk within the Council including the creation, membership and functions of management committees with risk management roles. This includes the Corporate Leadership Team and the assignment and performance review of 2nd tier managers with responsibility for the management of identified risks;
- The Chief Executive also has a critical role in reporting to the Executive on identified strategic risks and communicating the strategic value of effective risk management to the Executive. The Chief Executive also has a role to play in ensuring adequate funding and resources are available for risk management activities.

5.4 **Corporate Leadership Team**

- To collectively ensure that effective systems of risk management and internal control are in place to support the Corporate Governance of the Council;
- To approve the risk appetite for each risk detailed in the Council's Corporate Risk Register and monitor the total risk faced by the Council;
- To take a leading role in identifying and managing the risks and opportunities to the Council and to set the example and standards for all staff;
- To identify, analyse and profile high-level strategic cross-cutting and emergent risks on a regular basis as outlined in the monitoring process;
- To ensure that appropriate risk management skills training and awareness is provided to appropriate elected Members and staff.

5.5 **Council Risk Facilitator**

- To facilitate the communication and implementation of this Policy and ERM Guidance to all elected Members, managers and staff to fully embed them in the Council's business planning and monitoring processes (as per their respective roles and responsibilities);
- To report to Corporate Leadership Team and Audit Committee on the management of corporate and other significant risks and the overall effectiveness of risk management;
- To provide training and support to relevant members and managers with regard to risk management;
- To co-ordinate all of the Council's risk management registers.

5.6 **2nd Tier Managers**

- Each 2nd Tier Manager is individually responsible for proper monitoring of the risks identified in their relevant service plans, local action plans and for embedding risk management into the business and service planning of their relevant services;

- Ensuring that the risk management process is part of all major projects, partnerships and change management initiatives;
- Ensuring that all reports of a strategic nature written for Executive Members include a risk assessment of the options presented for a decision;
- Report regularly to the Corporate Leadership Team on the progress being undertaken to manage their risks and provide updates on the nature of the significant risks in their relevant service areas;
- To determine the risk appetite for each risk detailed in their Service Risk Register;
- Provide assurance on the adequacy of their relevant service's risk and control procedures;
- Bring to the attention of their respective Executive portfolio holders all significant risks on a timely basis.

5.7 **3rd Tier Managers**

In respect of risk management, each 3rd Tier Manager is individually responsible for:

- the proper identification, assessment and monitoring of the risks associated in their area of activity;
- bringing to the attention of their 2nd Tier Manager all significant risks on a timely basis;
- ensuring that all reports of a strategic nature written for Executive Members include a risk assessment of the options being presented for a decision;
- recommending (to the Council Risk Facilitator) risk management training for their staff (where relevant);
- implementing approved risk management action plans;
- maintaining an awareness of risks and feed them into the risk identification process;
- embedding a culture of pro-active risk assessment in their area of activity.

5.8 **Audit Committee**

To provide independent assurance of the adequacy of the ERM Policy and Guidance and the associated control environment. In particular:

- to receive the annual review of internal controls and be satisfied that the Assurance Statement properly reflects the risk environment and any actions required to improve it;
- to receive regular reports covering implementation of the Council's ERM Policy and Guidance to determine whether strategic risks are being actively managed;
- to review, revise as necessary and recommend adoption of the ERM Policy and Guidance to Executive on a regular basis;
- to have the knowledge and skills requisite to their role with regard to risk management and to undertake awareness training in respect of ERM as and when specific training needs are identified.

5.9 **Executive Members**

- Executive members are responsible for governing the delivery of services to the local community. Executive Members therefore have a responsibility to be aware and fully understand the strategic risks that the Council faces;
- Executive members have the responsibility to consider the risks associated with the decisions they make and will be informed of these risks in the reports that are submitted to them. They are required to consider the cumulative level of risk faced by the authority. They cannot avoid or delegate this overall responsibility, as it is vital to their stewardship responsibilities;
- To have the knowledge and skills requisite to their role with regard to risk management and to undertake awareness training in respect of ERM as and when specific training needs are identified;
- To receive regular reports, as presented to the Audit Committee covering the implementation of the Council's Risk Management Policy and Guidance, including updates over the management of all strategic risks.

5.10 **Overview and Scrutiny Committee**

To have due regard for this policy, and specifically, when undertaking scrutiny reviews to consider the Executive's risk identification and evaluation process.

5.11 **Members**

To have the knowledge and skills requisite to their role with regard to risk management and to undertake awareness training in respect of ERM as and when specific training needs are identified.

5.12 **Departmental Leadership Teams**

- To collate on a quarterly basis the key and consistent themes from service, project and partnership risk registers and feed these to Corporate Leadership Team and give feedback to the services;
- To collate the highest level and most common operational risks (including those risks of a more health and safety or liability perspective) from a service level for communication and if required, consideration by Corporate Leadership Team;
- To monitor the implementation and embedding of risk management within key Council processes;
- To identify risk management training needs, approve training programmes and presentations;
- To facilitate services on an ongoing basis with maintaining their risk registers and matrix;
- To implement the detail of the Enterprise Risk Management Guidance;
- To ensure that risks and action plans are updated in the Corporate Risk Register;
- To share/exchange relevant information with colleagues in other service areas.

5.13 **Internal Audit**

Internal audit will

- provide assurance to the Council through an independent and objective opinion on the control environment comprising risk management, control procedures and governance;
- report to Members on the control environment; and
- provide an Internal Audit Plan (on at least an annual basis) that is based on a reasonable evaluation of risk and to provide an annual assurance statement to the Council based on work undertaken in the previous year.

5.14 **Staff**

Staff have a responsibility to identify risks surrounding their every day work processes and working environment. They are also responsible for:

- participating in ongoing risk management within service areas;
- actively managing risks and risk actions (where appropriate); and
- demonstrating an awareness of risk and risk management relevant to their role and to take action accordingly.

6.0 Review and Continual Improvement

6.1 The Audit Committee shall review and recommend adoption of the ERM Policy to the Council on a regular basis or when significant changes require a revision of it.

6.2 The Council should continue to improve the effectiveness of its risk management arrangements through:

- learning from risk events and the application of controls;
- review risk occurrences to identify emerging trends; and
- learn from other organisations about their risk occurrences in order to consider whether there is a likelihood of the Council experiencing a similar occurrence.

Andy Couldrick
Chief Executive

Councillor Guy Grandison
Chairman Audit Committee



**WOKINGHAM
BOROUGH COUNCIL**

Enterprise Risk Management Guidance

A Framework for Managing Opportunity and Risk

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Authors: Julie Holland - Risk Management Facilitator

Quality Assurance: Paul Ohsan Ellis - Internal Audit Manager

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1.0 Introduction

- 1.1 Risk Management is about managing opportunities and threats to objectives and in doing so helps create an environment of “no surprises”. It is a crucial element of good management and a key part of corporate governance. It should be viewed as a mainstream activity and something that is an integral part of the management of the organisation; an everyday activity.
- 1.2 Risk Management is already inherent in much of what the Council does. Good practices like good safety systems, procurement and contract regulations, financial regulations and internal control are not labelled Risk Management but these and many other processes and procedures are used to manage risk.

2.0 Purpose of the Guidance

- 2.1 The purpose of this Enterprise Risk Management Guidance is to establish a framework for the systematic management of risk, which will ensure that the objectives of the Council’s Risk Management policy are realised.

The Purpose of this Guidance
Define what Risk Management is about and what drives Risk Management within the Council
Set out the benefits of Risk Management and the strategic approach to Risk Management
Outline how the Risk Management will be implemented
Formalise the Risk Management process across the Council

- 2.2 An overview of this framework is detailed in Appendix 1.

3.0 Approval, Communication, Implementation and Review

- 3.1 The Enterprise Risk Management Guidance has been adopted by the Corporate Leadership Team and has been approved by the Council via the Audit Committee. It has been issued to:
- All Members of the Council
 - Corporate Leadership Team
 - All Heads of Service
 - Key Stakeholders
 - Other interested parties such as External Audit
- 3.2 It has been placed on the Council’s intranet site so that all members of staff can have access and easily refer to it. It is included on all new staff’s corporate induction. Therefore all individual members of staff are aware of both their roles and responsibilities for Risk Management within the Council and their service (depending on their own role within the Council). Risk Management is included within the Council’s performance management framework so that staff and managers are aware of how Risk Management contributes to the achievement of the Council’s and Service objectives.
- 3.3 All elected Members have been issued with a copy of the Guidance. It is part of all newly elected Members’ induction to the Council it has been included as a

training area within the Members Training and Development Programme. The Guidance will be reviewed annually by the Audit Committee.

4.0 What is Enterprise Risk Management?

4.1 Risk is an unexpected event or action that can adversely affect the Council's ability to achieve its objectives and successfully execute its strategies. It can be a positive (an opportunity) or negative (a threat). Risk Management is the process by which risks are identified, evaluated and controlled.

4.2 It has critical links to the following areas:

- Corporate governance;
- Community focus;
- Structure and processes;
- Standards of conduct;
- Service delivery arrangements; and
- Effective use of resources.

4.3 Enterprise Risk Management can be defined as:

“The management of integrated or holistic risk and opportunity in a manner consistent with the virtues of economy, efficiency and effectiveness. In essence it is about making the most of opportunities (making the right decisions) and about achieving objectives once those decisions are made. The latter is achieved through controlling, transferring and living with risks”.

4.4 Risk Management therefore is essentially about identifying the opportunities, risks and weaknesses that exist within the Council. A holistic approach is vital to ensuring that all elements of the Council are challenged including decision making processes, working with partners, consultation processes, existing policies and procedures and also the effective use of assets – both staff and physical assets. This identification process is integral to all our strategic, service and work planning.

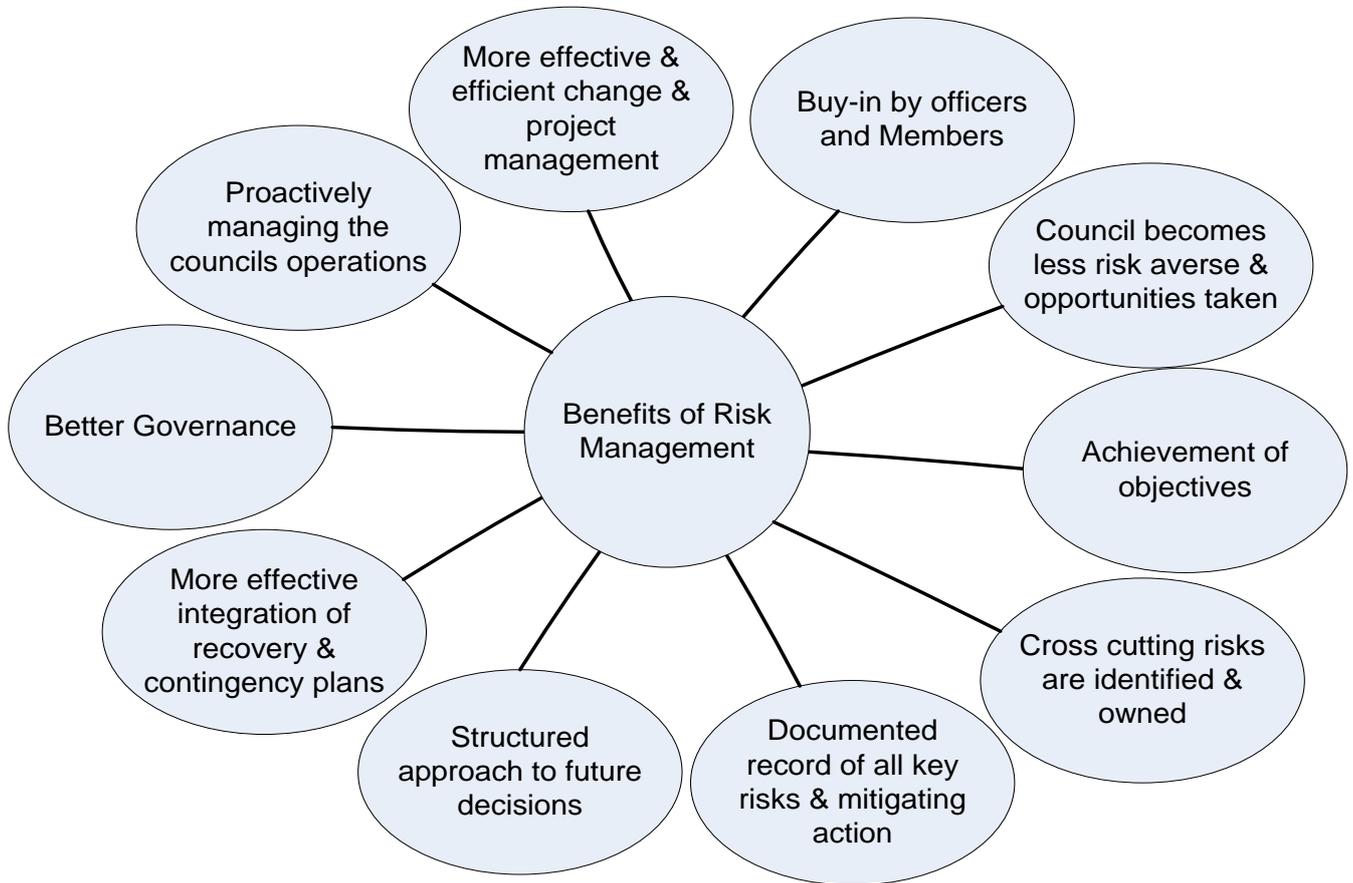
4.5 Once the risks have been identified the next stage is to prioritise them to identify the key risks to the organisation moving forward. Once prioritised it is essential that steps are taken to then effectively manage these key risks. The result is that significant risks that exist within the Council can be mitigated to provide the Council with a greater chance of being able to achieve its objectives. Included within this should also be a consideration of the positive or 'opportunity' risk aspect.

4.6 Risk Management will improve the business planning and performance management processes, strengthen the ability of the Council to achieve its objectives and enhance the value of the services provided.

4.7 In order to strive to meet our Vision, strategic principles and priorities, the Council has recognised the need to further embed Risk Management arrangements. The desired outcome is that risks associated with these objectives can be managed and the potential impact limited, providing greater assurance that the Vision will be achieved.

5.0 Benefits of Risk Management

5.1 Successful implementation of Risk Management will produce many benefits for the Council if it becomes a living tool. These include:



6.0 Critical Success Factors

6.1 To develop a framework which:

Reference	Critical Success Factors
1	Enables the Council's performance and take advantage of opportunities.
2	Focus on the major risks to our strategies and objectives.
3	Provide a clear picture of the major risks the Council faces, their nature, potential impact and their likelihood.
4	Establish a shared and unambiguous understanding of what risks will be tolerated.
5	Develop an awareness of our ability to control the risks we have identified.
6	Is embedded in our planning and decision-making processes.
7	Actively involve all those responsible for planning and delivering services.
8	Clarify and establish roles, responsibilities and processes.
9	Enable and empower managers to manage those risks in their area of responsibility.
10	Capture information about key risks from across the Council.
11	Include regular risk monitoring and review of the effectiveness of internal control.
12	Is non-bureaucratic, cost efficient and sustainable.

7.0 Relationship between Risk Management and Internal Controls

7.1 The Council recognises that Risk Management is an integral part of its internal control environment. The constitution states that internal controls are required to manage and monitor progress towards strategic objectives.

7.2 The system of internal control also provides measurable achievement of:

- Efficient and effective operations;
- Reliable financial information and reporting;
- Compliance with laws and regulations; and
- Risk Management.

7.3 Internal Audit, when evaluating risks during the course of its Internal Audit work, will categorise risks as per this Guidance and will analyse their likelihood and impact in accordance with the qualitative measures / tables contained in this Guidance, thus further integrating and embedding our Risk Management Guidance into the Council's internal control environment.

8.0 Risk Management, Business Continuity and Emergency Planning

- 8.1 There is a link between these areas. However it is vital for the success of Risk Management that the roles of each, and the links, are clearly understood. The Council recognises that there is a link between Risk Management, Business Continuity Management and Emergency Planning. This is demonstrated by the lead in all three issues being taken by the Corporate Leadership Team.

Business continuity management

- 8.2 Business continuity management is about trying to identify and put in place measures to protect the Council's priority functions against catastrophic risks that can stop it in its tracks. There are some areas of overlap e.g. where the I.T. infrastructure is not robust then this will feature as part of the relevant Risk Register and also be factored into the business continuity plans.

Emergency planning

- 8.3 Emergency planning is about managing the response to those incidents that can impact on the community (in some cases they could also be a business continuity issue) e.g. a plane crash is an emergency, it becomes a continuity event if it crashes on the office!

9.0 Risk Management in Projects, Partnerships and Health and Safety

- 9.1 It is recognised that Risk Management needs to be a key part of the ongoing management of projects, Health and Safety and partnerships.

Project / Programme management

- 9.2 There is a consistent and robust approach to Risk Management used in projects, both at Project Initiation Document stage and throughout the duration of the project.

Partnerships

- 9.3 The Council has a Partnership Protocol, of which Risk Management is a key aspect. The Partnership Protocol requires that this approach to risk management is adhered to. The Partnership Protocol is available on the intranet.

Health and Safety

- 9.4 The Council has a Health and Safety Policy, of which management of risk is a critical aspect. Health and safety risks are managed in accordance with Health and Safety Executive guidance and are recorded in WISER. The Health and Safety Policy is available on the intranet.

10.0 Strategic Approach to Risk Management

10.1 In order to formalise and structure Risk Management the Council has recognised that there are obvious and clear links between Risk Management and: strategic and financial planning; policy making and review; and performance management.

10.2 The links are as follows:

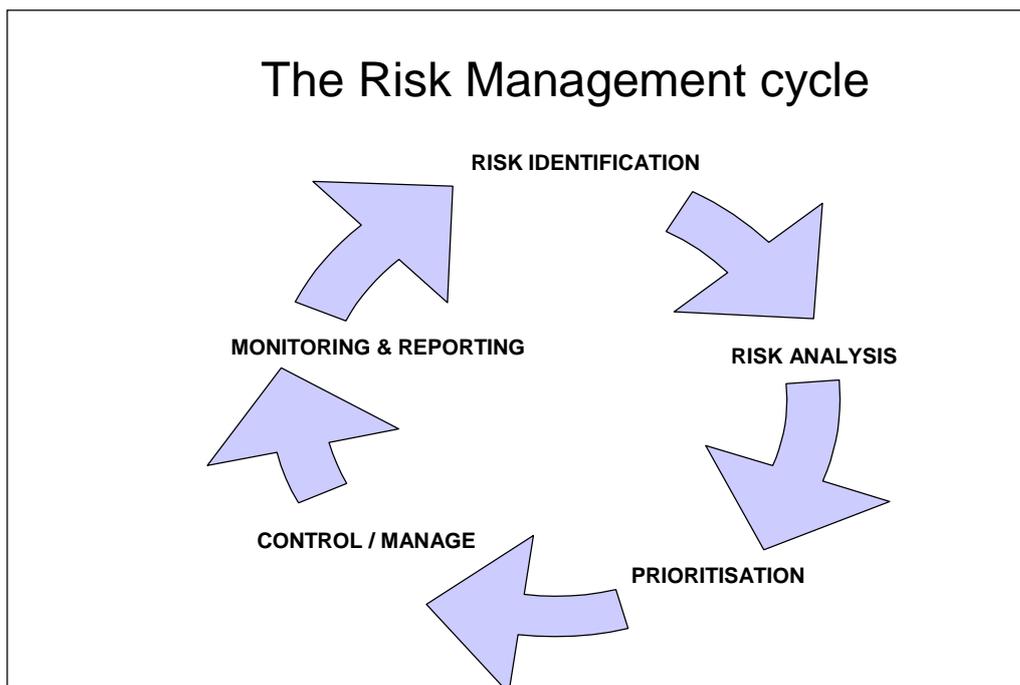
- Measurement of performance against the key objectives, performance indicators and key tasks.
- Management of Key Strategic Risks which could affect the delivery of the above Council objectives/targets is undertaken by the Corporate Leadership Team.

11.0 Implementation Guidance Risk Management

The risk management process

Implementing this Guidance involves a 5-stage process to identify, analyse, prioritise, manage and monitor risks as shown in figure 1. This section will outline the approach.

Figure 1: The Risk Management Cycle



Stage 1 – Risk Identification

The first step is to identify the 'key' risks that could have an adverse effect on or prevent key business objectives from being met. It is important that those involved with the process clearly understand the service or Council's key business objectives i.e. '*what it intends to achieve*' in order to be able to identify '*the risks to achievement*'. It is important to consider the relevant Service Plans in a broader context, i.e. not focusing solely on specific detailed targets but considering the wider direction and aims of the service and what it is trying to achieve.

When identifying risks it is important to remember that as well as the 'direct threats', risk management is about 'making the most of opportunities' e.g. making bids for funding, successfully delivering major projects and initiatives, pursuing beacon status or other awards, taking a national or regional lead on policy development etc.

Using Appendix 2 as a prompt, various techniques can then be used to begin to identify 'key' or 'significant' business risks including: -

- A 'idea shower' session;
- Own (risk) experience;
- 'Strengths, Weaknesses, Opportunities and Threats' analysis or similar;
- Experiences of others - can we learn from others' mistakes?
- Exchange of information/best practice with other Councils, organisations or partners.

It is also recommended that a review of published information such as other Service Plans, strategies, financial accounts, press releases, and inspectorate and audit reports be used to inform this stage, as they are a useful source of information.

The process for the identification of risk should be undertaken for projects (at the beginning of each project stage), partnerships and for all major revenue and capital contracts. Details of who contributes to these stages are explained further in the 'Roles, Assignments and Responsibilities' section of the Enterprise Risk Management Policy.

Risks, both opportunity and threats, identified should be recorded in a Risk Register as per figure 2. This standard template for recording risks has been updated is on the risk management area of grapevine.

Figure 2: Risk Register Summary (example)

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating			
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite
<u>1</u>	Risk that the council does not have buy-in to successfully implement the corporate vision and priorities		<ol style="list-style-type: none"> 1. Vision and Priority 2. Joint Board 3. Joint Working Group 4. Council Plan 5. Programme and project management 6. Performance management framework 7. Service planning framework being implemented 8. ECLT & CLT 9. Monthly highlight report on Joint Board progress 10. Quarterly Council Plan Performance Monitoring 	<ol style="list-style-type: none"> 1. Following Council approval of the Council Plan this will inform Service Plans for each area. 	AC	KB	4	2	L	L
	There needs to be clarity and agreement on how the vision and priorities will be interpreted and delivered. The vision and priorities need to be articulated through the corporate and service plans. The service and resource planning is being redesigned so it will align to the vision and priorities of the council enabling us to deliver on our priorities.	<ul style="list-style-type: none"> • Organisational dissonance • disharmony across organisation • lack of clarity • different objectives / targets • delivery affected • fall behind neighbours • non-compliance with legislation 								

Stage 2 – Risk Analysis

The information that is gathered needs to be analysed into risk scenarios to provide clear, shared understanding and to ensure the potential root cause of the risk is clarified. Risk scenarios also illustrate the possible consequences of the risk if it occurs so that its full impact can be assessed.

There are 2 parts to a risk scenario:-

- The cause describes the situation and/or event (that may be perceived) that exposes the organisation to a risk; and
- The consequences are the events that follow in the wake of the risk.

Risk Scenario

Figure 3: Example of the structure of a risk scenario

Cause	Consequence
Statement of fact or perception about the Council, service or project that exposes it to an event. Include the event that could	The positive or negative impact: <ul style="list-style-type: none"> • How big?

<p>occur in a positive or negative impact on the objectives being achieved</p> <p>LIKELIHOOD</p>	<ul style="list-style-type: none"> • How bad? • How much? • Who is affected? <p>IMPACT</p>
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Each risk scenario is logged on the respective Risk Register. These registers could be potentially strategic, against a specific Service Plan, or relating to a project or partnership. The purpose of the Risk Action Log (i.e. Further Actions to Mitigate Risk) is to store details of the risk, its likelihood and impact and mitigation activity for each risk.

For further information on the project Risk Register template and guidelines, please refer to the project management methodology.

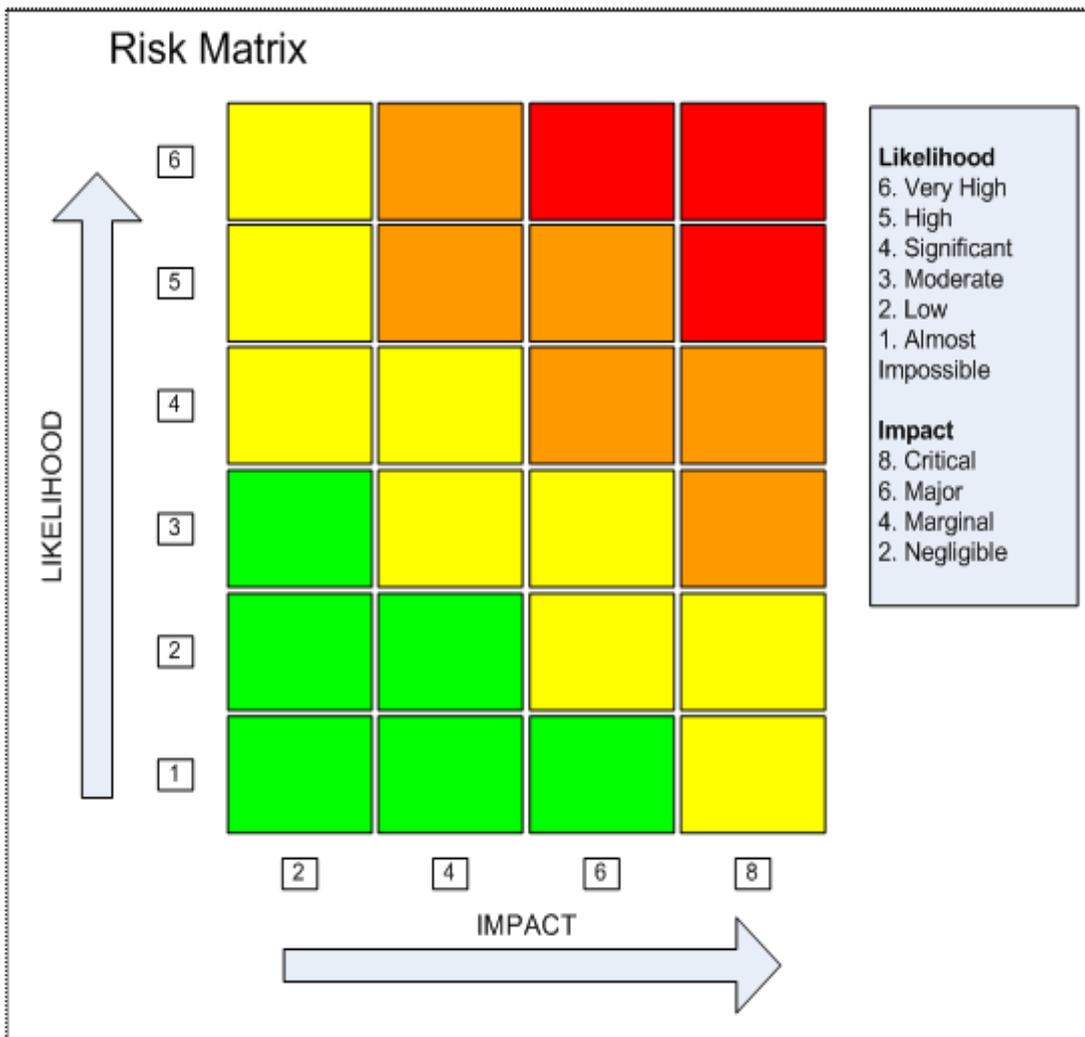
Stage 3 – Prioritisation

Following identification and analysis the risks will need to be evaluated, different scenarios should be explored. Their ranking is decided according to the potential likelihood of the risk occurring and its impact if it did occur. A matrix is used to plot the risks (Figure 4) and once completed this risk profile clearly illustrates the priority of each risk.

When assessing the potential likelihood and impact the risks must be compared with the appropriate objectives e.g. corporate objectives for the strategic risk profile, and service objectives for the Service Plan risk profile. The challenge for each risk is how much impact it could have on the ability to achieve the objective and outcomes. This allows the risks to be set in perspective against each other.

At the beginning of this stage a timeframe needs to be agreed, and the likelihood and impact should be considered within the relevant timeframe. Often a 3-year time horizon is used at strategic level, with perhaps a 1-year timeframe used at service level, to link with service delivery planning. The likelihood and impact should also be considered with existing controls in place, not taking future ones into account at that time.

Figure 4: Example of the Council risk matrix and filters



The matrix is also constructed around 4 filters - these being red (very high), orange (high), amber (medium) and green (low). The red and orange filtered risks are of greatest priority. Amber risks represent moderate priority risks. Green risks are low priority but should be monitored.

If there are numerous red, orange and amber risks to be managed it is prudent to cluster similar risks together. This is to aid the action planning process as a number of risks can be managed by the same or similar activity. Each cluster should be given a title e.g. recruitment and retention, staff empowerment etc. This technique of clustering should only be used when there are many risks to be managed e.g. in excess of 15 red and amber risks and where risks share common causes and consequences and therefore could be managed in a similar way.

Stage 4 – Control / Manage

This is the process of turning 'knowing' into 'doing'. It is assessing whether to control, accept, transfer or terminate the risk on an agreed 'risk appetite'. Risks may be able to be: -

Controlled - It may be possible to mitigate the risk by ‘managing down’ the likelihood, the impact or both. The control measures should, however, be commensurate with the potential frequency, impact and financial consequences of the risk event.

Accepted - Certain risks may have to be accepted as they form part of, or are inherent in, the activity. The important point is that these risks have been identified and are clearly understood.

Transferred - to another body or organisation i.e. insurance, contractual arrangements, outsourcing, partnerships etc.

Terminated - By ending all or part of a particular service or project.

It is important to recognise that, in many cases, existing controls will already be in place. It is therefore necessary to look at these controls before considering further action. It may be that these controls are not effective or are ‘out of date’.

The potential for controlling the risks identified will be addressed through Service Plans. Most risks are capable of being managed – either by managing down the likelihood or impact or both. Relatively few risks have to be transferred or terminated. These service plans will also identify the resources required to deliver the improvements, timescale and monitoring arrangements.

Existing controls, their adequacy, new mitigation measures and associated action planning information is all recorded on the Risk Register, including ownership of the risk and allocation of responsibility for each mitigating action. Full details of the risk mitigation measures that are to be delivered are likely to be recorded in the respective business plans and cross reference should be made to this in the Risk Registers.

A further judgement which should be made is the ‘target risk score’ and ‘target evaluation’, which is where the risk could be managed to, should the identified controls be successfully implemented.

Consideration should also be given here as to the ‘Cost-Benefit’ of each control weighed against the potential cost / impact of the risk occurring. N.B. ‘cost / impact’

High cost/low impact of mitigating risk	High cost/big impact of mitigating risk
Low cost/low impact of mitigating risk	Low cost/big impact of mitigating risk

Stage 5 – Monitoring & Reporting

The Corporate Leadership Team is responsible for ensuring that the key risks on the Corporate Risk Register are managed and the progress with the risk mitigation measures should be monitored at appropriate intervals. 2nd and 3rd Tier Managers are responsible for ensuring that the key risks in the Risk Registers linked to respective services are managed. It is recommended that the ‘red risks’ feature as a standing item on ‘3rd Tier Managers’ meeting agendas.

On a quarterly basis, the Corporate and service Risk Registers should be reviewed and where necessary risks re-prioritised. Risks should be amended so they reflect the

current situation, obsolete risks should be deleted and new risks identified. This ensures that the Risk Registers and resulting risk mitigation measures are appropriate for the current service and corporate objectives. The quarterly review of the Corporate Risk Register must be undertaken by Corporate Leadership Team and the service Registers should be reviewed / updated by the respective 2nd and 3rd Tier Managers with their management teams.

During the year new risks are likely to arise that have not previously been considered on the existing Risk Registers. Also the environment in which the risks exist will change making some risks more critical or others less important. Every quarter the respective Risk Registers and matrices at each level should be updated to reflect these changes. If such risks require Corporate Leadership Team ownership and management then they should be incorporated into the Corporate Risk Register. If the management of such risks is more appropriate at a service level then it should be included in the respective service Risk Register. This will need to be undertaken on a quarterly basis by Corporate Leadership Team and 2nd and 3rd Tier Managers.

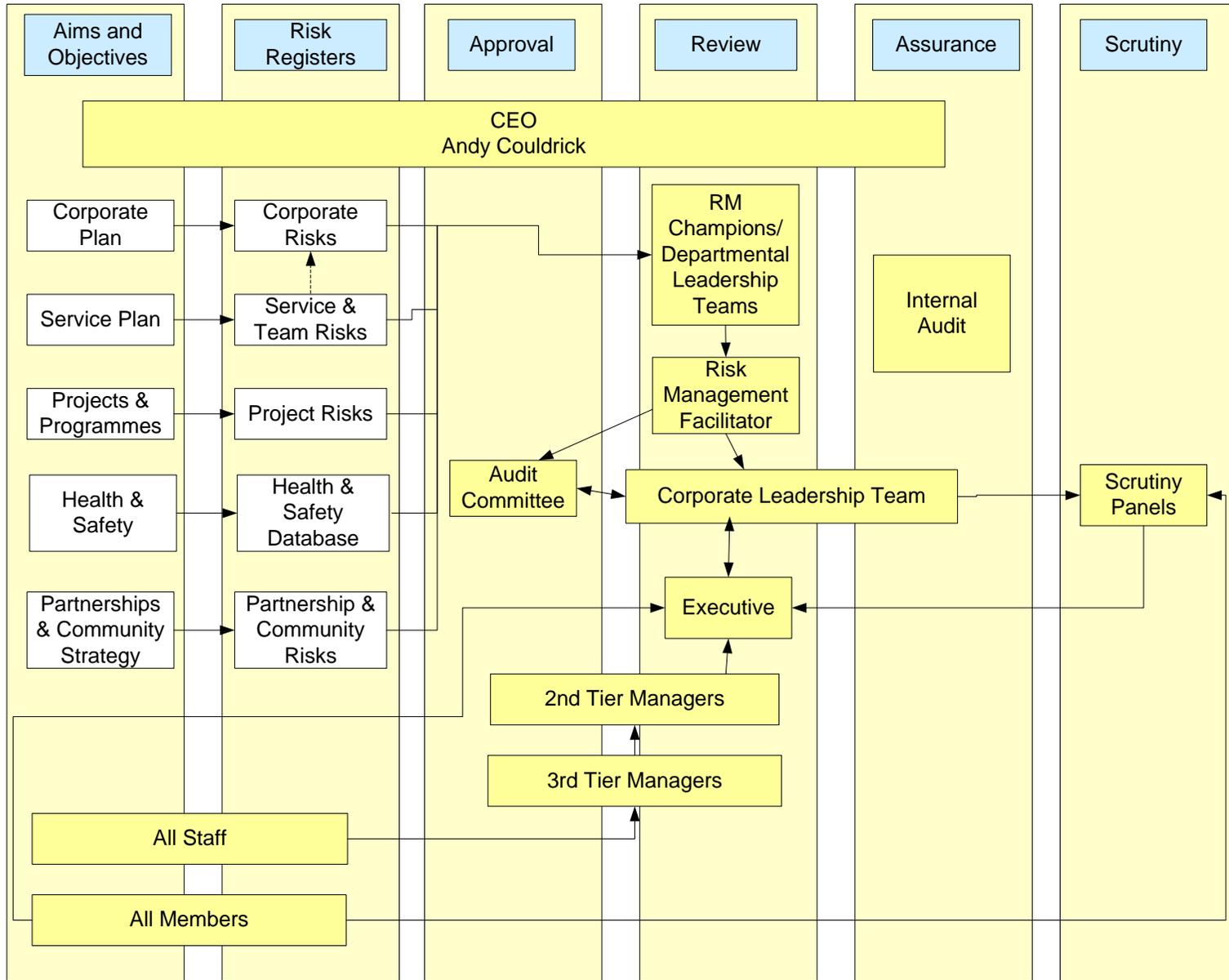
It is recognised that some service risks have the potential to impact on the corporate objectives and these will often be the red risks on the matrix. Every six months, the Directorate Risk Registers will be fed into the Corporate Leadership Team where a decision will be taken on whether to prioritise any of these risks on the strategic risk matrix and include them on the Corporate Risk Register (owned by Corporate Leadership Team). At the relevant Corporate Leadership Team session to review risk management, each "2nd Tier Manager will also feedback the headline risks from their individual areas.

12.0 Risk Appetite

Risk appetite is the phrase used to describe how much risk the council is prepared to take in pursuit of its objectives. Due to its diverse range of services the council does not have a single risk tolerance and appetite for risk will vary between different services and activities, or even at different times.

Considering and setting risk appetite will enable the council to optimise its risk taking and accepting calculated risks by enabling risk-reward decision making. Equally, it reduces the likelihood of unpleasant surprises. Risk appetite is determined on each of the risks and is essentially the target we need to manage the risk against i.e. seeking to align the controls with the risk appetite. Organisational culture will be aligned to the risk appetite.

Overview of Risk Management Framework



Appendix 2 – Example of Risk Categories

Risk	Definition	Examples
Political	Associated with the failure to deliver either local or central government policy or meet the local administration's manifest commitment	New political arrangements, Political personalities, Political make-up
Economic	Affecting the ability of the Council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance cover, external macro level economic changes or consequences proposed investment decisions	Cost of living, changes in interest rates, inflation, poverty indicators
Social	Relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to meet its objectives	Staff levels from available workforce, ageing population, health statistics
Technological	Associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the Council's ability to deliver its objectives	IT infrastructure, Staff/client needs, security standards, Business Continuity.
Legislative	Associated with current or potential changes in national or European law	Human rights, appliance or non-appliance of TUPE regulations
Environmental	Relating to the environmental consequences of progressing the Council's strategic objectives	Land use, recycling, pollution
Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value	Fail to win quality accreditation, position in league tables
Customer/ Citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens	Managing expectations, extent of consultation
Managerial/ Professional	Associated with the particular nature of each profession, internal protocols and managerial abilities	Staff restructure, key personalities, internal capacity
Financial	Associated with financial planning and control	Budget overspends, level of Council tax & reserves
Legal	Related to possible breaches of legislation	Client brings legal challenge
Partnership/ Contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification	Contractor fails to deliver, partnership agencies do not have common goals
Physical	Related to fire, security, accident prevention and health and safety	Offices in poor state of repair, use of equipment

Impact

Score	Level	Description	
8	Critical	Critical impact on the achievement of objectives and overall performance. High impact on costs and / or reputation. Very difficult and possibly long term to recover.	<ul style="list-style-type: none"> • Unable to function without aid of Government or other external Agency • Inability to fulfil obligations • Medium - long term damage to service capability • Severe financial loss – supplementary estimate needed which will have a critical impact on the council’s financial plan and resources are unlikely to be available. • Death • Adverse national publicity – highly damaging, severe loss of public confidence. • Litigation certain and difficult to defend • Breaches of law punishable by imprisonment
6	Major	Major impact on costs and objectives. Serious impact on output and / or quality and reputation. Medium to long term effect and expensive to recover.	<ul style="list-style-type: none"> • Significant impact on service objectives • Short – medium term impairment to service capability • Major financial loss - supplementary estimate needed which will have a major impact on the council’s financial plan • Extensive injuries, major permanent harm, long term sick • Major adverse local publicity, major loss of confidence • Litigation likely and may be difficult to defend • Breaches of law punishable by fines or possible imprisonment
4	Marginal	Significant waste of time and resources. Impact on operational efficient, output and quality. Medium term effect which may be expensive to recover.	<ul style="list-style-type: none"> • Service objectives partially achievable • Short term disruption to service capability • Significant financial loss - supplementary estimate needed which will have an impact on the council’s financial • Medical treatment require, semi- permanent harm up to 1 year • Some adverse publicity, need careful public relations • High potential for complaint, litigation possible. • Breaches of law punishable by fines only
2	Negligible	Minimal loss, delay, inconvenience or interruption. Short to medium term affect.	<ul style="list-style-type: none"> • Minor impact on service objectives • No significant disruption to service capability • Moderate financial loss – can be accommodated • First aid treatment, non-permanent harm up to 1 month • Some public embarrassment, no damage to reputation • May result in complaints / litigation • Breaches of regulations / standards

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Score	Level	Description
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6	Very High	Certain.	>95%	Annually or more frequently	>1 in 10 times	An event that is has a 50% chance of occurring in the next 6 months or has happened in the last year. This event has occurred at other local authorities
5	High	Almost Certain. The risk will materialise in most circumstances.	80 – 94%	3 years +	>1 in 10 – 50 times	An event that has a 50% chance of occurring in the next year or has happened in the past two years.
4	Significant	The risk will probably materialise at least once.	50 – 79%	7 years +	>1 in 10 – 100 times	An event that has a 50% chance of occurring in the next 2 years or has happened in the past 5 years.
3	Moderate	Possible the risk might materialise at some time.	49 – 20%	20 years +	>1 in 100 – 1,000 times	An event that has a 50% chance of occurring in the next 5 or has happened in the past 7 years.
2	Low	The risk will materialise only in exceptional circumstances.	5 – 19%	30 years +	>1 in 1,000 – 10,000 times	An event that has a 50% chance of occurring in the next 10 year or has happened in the past 15 years.
1	Almost Impossible	The risk may never happen.	< 5%	50 years +	>1 in 10,000 +	An event that has a less than 5% chance of occurring in the next 10 years and has not happened in the last 25 years.

Likelihood

TITLE	Corporate Risk Register refresh – November 2015
FOR CONSIDERATION BY	Audit Committee on 8 December 2015
WARD	None Specific
STRATEGIC DIRECTOR	Andy Couldrick, Chief Executive

OUTCOME / BENEFITS TO THE COMMUNITY

Enterprise Risk Management (ERM) provides for robust and transparent decision making. Effective ERM is therefore an integral part of the council's control environment and helps demonstrate the effective use of resources and sound governance. The council's Corporate Risk Register (CRR) demonstrates that the council is pro-actively identifying and managing its significant business risks.

RECOMMENDATION

That the Audit Committee consider and note the risks and mitigating actions of the Council's corporate risks as detailed in the attached Corporate Risk Register.

This was reviewed and updated following the August Corporate Risk Register refresh process.

Given the changing operating environment for the council Audit Committee should consider whether the risk appetite for each risk remains reflective of current conditions.

SUMMARY OF REPORT

As part of the Corporate Risk Register (CRR) refresh service Risk Champions facilitated their refresh by meeting with Strategic Directors in order to update the risk register. As a result an update has been obtained over the control of each risk since the last refresh. This report summarises those changes and the refreshed CRR is presented to Audit Committee for your consideration and comment. The updated CRR is attached to this report.

Background

The roles and responsibilities of Members and Officers with respect to Risk Management are detailed in the Council's Enterprise Risk Management Policy (ERMP) which was approved by the Audit Committee. The ERMP states that CLT is responsible for identifying and managing the Council's risks and opportunities, and for setting an example to staff. CLT is also responsible for identifying, analysing and profiling high-level strategic and cross-cutting risks on a regular basis.

The Audit Committee is required to seek confirmation that the Council's strategic risks are being proactively managed. Strategic risks are essentially those risks that might occur and could prevent the Council from achieving its objectives as detailed in its Vision, Priorities and Corporate Plan.

Analysis of Issues

The following risks have been revised by the relevant Strategic Director to reflect recent changes/ developments:

- Risk 7 – Risk of serious or significant harm to a vulnerable child or young person with whom the council is working has had additional actions to mitigate risk added.
- Risk 23 – Risk of Health and Safety failure leading to death or serious injury has had additional actions to mitigate risk added.
- Risk 29 – Risk of a disruption to services and internal business has been increased to ‘Significant’ due to the ICT project.

The following risk has been removed from the Corporate Risk Register and will continue to be managed within the directorates:

- Risk 15 – Risk of proposed changes to services, policies or contracts becoming subject to Judicial Review.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A	N/A	N/A
Next Financial Year (Year 2)	N/A	N/A	N/A
Following Financial Year (Year 3)	N/A	N/A	N/A

Other financial information relevant to the Recommendation/Decision

There are no financial implications to be noted as a result of this refresh. However there are risks within the register that should they materialise, would have a significant financial impact on the authority.

Cross-Council Implications

A risk is an unexpected event or action that can adversely affect the Council's ability to achieve its objectives and successfully execute its strategies. Risk Management is about managing opportunities and threats to objectives. Therefore good risk management will assist the Council in delivering its services and achieving its priorities.

Reasons for considering the report in Part 2

N/A

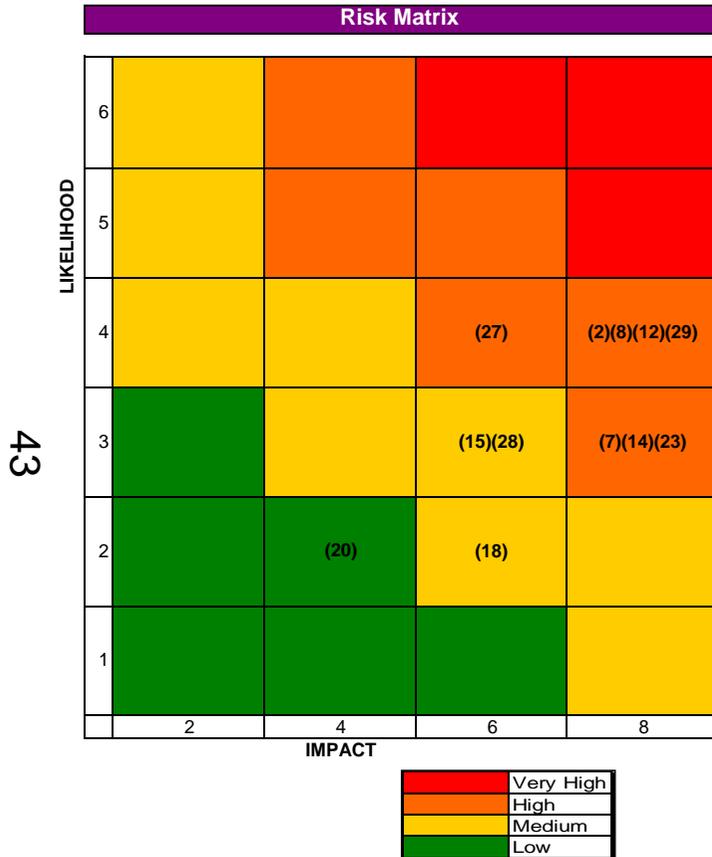
List of Background Papers

Previous Corporate Risk Register papers to Audit Committee Enterprise Risk Management Strategy and Policy
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Contact Julie Holland	Service Governance and Improvement Services
Telephone No 0118 974 6630	Email Julie.Holland@wokingham.gov.uk
Date 26 November 2015	Version No. V1

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CORPORATE RISK REGISTER



Risk No	Risk Description	Date of Entry
(1)	Risk of the organisation not buying into a shared agenda	Removed - May 12
(2)	Risk of inability to match supply and demand for school places	Nov-09
(3)	Risk that decisions are made on inaccurate/ incomplete information	Removed - Sep 11
(4)	Risk of Partnership working stagnating due to changes at a national level	Removed - Jun 12
(5)	Risk of delivering a tight budget in a sustainable way	Removed - Sep 11
(6)	Risk that the savings element of Transformation does not deliver	Removed - Mar 12
(7)	Risk of serious or significant harm to a vulnerable child or young person with whom the council is working	Apr-10
(8)	Risk of serious harm or death of a vulnerable adult for whom the Borough has a responsibility for	Apr-10
(9)	Risk of Transformation drawing focus and resource away from the 'day job'	Removed - Mar 12
(10)	Risk that a business continuity incident occurs and the organisation fails to respond effectively	Removed - Jan 13
(11)	Risk of the loss of critical data and the impact on service delivery	Removed - Sep 11
(12)	Risk that essential transport infrastructure needs a significant short term investment for repairs	Nov-09
(13)	Risk that the benefits and outcomes of the transformed organisation are not understood by key stakeholders	Removed - Mar 12
(14)	Risk that the Council fails to deliver key investment priorities through insufficient resources or inadequate planning	Aug-14
(15)	Risk of proposed changes to services, policies or contracts becoming subject to Judicial Review	Removed - Nov 15
(16)	Risk of potential loss of economies of scale from the use of alternative delivery vehicles	Removed - Sep 12
(17)	Risk of a residential care home provider failing leading to potential harm/ death of residents	Removed - Jan 12
(18)	Risk of a significant fine and reputational damage due to loss of confidential/ sensitive data	Sep-11
(19)	Risk that infrastructure requested by the council will not be provided	Removed - May 15
(20)	Risk that the council does not have buy-in to successfully implement the corporate vision and priorities	May-12
(21)	Risk that changes to the Standards regime cause confusion over statutory requirements	Removed - Jan 13
(22)	Risk that the public health transition fails	Removed - Jan 13
(23)	Risk of Health and Safety Failure Leading to Death or Serious Injury	Sep-12
(24)	Risk of challenge regarding delegated Executive decisions	Removed - Jun 13
(25)	Risk that a decision regarding the changes to decision making is not reached	Removed - Jul 14
(26)	Risk that Change and Improvement does not deliver intended outcomes	Removed - Sep 14
(27)	Risk of failure of Health and/or Social Care system	Sep-13
(28)	Risk that Council is unable to cope with increased burdens associated with the Social Care Act	Sep-14
(29)	Risk of a disruption to services and internal business	May-15

Risk Register for:	Corporate Risk Register	Previous Review	03/09/15	Updated on	19/11/2015
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Ref	Risk (Cause & Consequence)	Potential Impacts	Officer Lead	Executive Lead	Risk Score	Further Actions to Mitigate Risk
(2)	<p>The number of statutory school places required to maintain high rates of housebuilding will lead to upward pressure but the recent fall in the birth rate and the opening of new schools in Reading will reduce demand in the primary and secondary sector respectively. Changing school popularity can have a marked effect where there continues to be some surplus capacity across Wokingham and surrounding local authorities. There are sufficient places in 15/16 and current projects to add further capacity in 16/17 and in future years. Thereafter, there are three significant risks:</p> <ul style="list-style-type: none"> • That meeting the revenue start-up costs of new schools will result in cuts in school and central services provision to the detriment of standards. • That rising capital costs will lead to resources being diverted to school projects to the detriment of other WBC capital projects. • That new sites will not be available in a timely fashion to meet local need. 	<p>Insufficient places, Reputation damage, Quality of education affected, Resources lost to council due to development of free schools /academies, impact on family stress if children not educated locally/split siblings. , Infrastructure affected, Perceived as less attractive place, Increased demand for transport and associated cost pressures</p>	Officer Lead	Executive Lead	H	Active development of new Arborfield secondary school
			JR	CHT		Primary school provision strategy 2015 to 2018 in preparation
			Risk Appetite	Direction of Travel		
			L	—		
(7)	<p>WBC has a duty to care for the needs of, and to provide safeguarding services for the most vulnerable children and young people in the Borough. The changing economic circumstances of low income families needs careful consideration and monitoring in order to ensure that there is minimal impact on the management of this risk</p>	<p>Avoidable harm to a vulnerable child, Damage to reputation, Litigation, Low staff morale - loss of staff, unstable workforce - poor outcome for children, unmanageable budget., Recruitment and retention problems, Removal of senior managers and impact on continuity of delivery for children and families, Impact of being judged inadequate by Ofsted could lead to statutory/government intervention.</p>	Officer Lead	Executive Lead	H	Ongoing improvements to internal quality assurance activity.
			JR	CHT		Assurance of impact and embedding of our Practice Framework
			Risk Appetite	Direction of Travel		Further and ongoing improvements to Governance of Local Safeguarding Children Board (LSCB).
			L	—		Development of a Multi-Agency Safeguarding Hub (MASH) to drive better co-operation between key partners.
	<p><i>A failure to follow procedures, equip the workforce with the right skills and training, or to deliver appropriate resources or services in a timely way raises a risk of serious or significant harm to a vulnerable child or young person with whom the council is working.</i></p>					Innovations Project fully implemented to strengthen Social Work practise through implementation of "Signs of Safety", Family Star and Attachment Theory

Ref	Risk (Cause & Consequence)	Potential Impacts	Risk Score		Further Actions to Mitigate Risk	
(8)	WBC has a duty to care for the needs of, and to provide safeguarding services for the most vulnerable adults in the Borough. It is vital to ensure continued focus on safeguarding systems (duty, response, QA of provider sector, procedure and strategy - Safeguarding Adults Partnership Board and interagency working, workforce training) The ongoing public sector finance constraints when set against continued demographic pressures requires careful judgement to ensure essential services remain sustainable - continued pressure to hold fees may result in workforce recruitment problems and/or provider failure. <i>There is a risk of failure to safeguard vulnerable adults, either through systematic failure of duty of care, or an individual failure leading to the serious harm or death of a vulnerable adult.</i>	Damage to reputation, possible external intervention, litigation, low staff morale, recruitment and retention problems, removal of senior managers.	Officer Lead	Executive Lead	H	Review of Quality Assurance and professional standards commenced, led by the Director
			SR	JMS		Risk and impact assessment will be central to the Department's Service Planning
			Risk Appetite	Direction of Travel		
			L	—		
(12)	45 Programmed and proactive investment and maintenance in infrastructure has been deferred and affected by the current financial situation. This is potentially a risk with regard to highways infrastructure. <i>Risk that repair on bridge / road needs a significant short term investment.</i>	Impact on transport infrastructure, possible health and safety issues, traffic Problems, adverse publicity / reputation damage, serious injuries or death's, significant financial cost, financial impact on other areas of council.	Officer Lead	Executive Lead	H	Works planned for Loddon Flyover.
			HT	JK		Advanced protection of parapets at railway crossings to be reviewed.
			Risk Appetite	Direction of Travel		Formalised program of inspections
			M	—		Forward plan of capital works
(14)	The Council has significant investment aspirations including Strategic Development Locations (SDL's), Town Centre Regeneration, school rebuilds and housing provision. This is in the context of limited resources and a complex funding source. The Council needs to ensure it guards against any unmet critical needs and prioritise its aspirations over the long term. <i>Risk that the Council fails to deliver key investment priorities through insufficient resources or inadequate planning</i>	Insufficient school places, Financial shortfall, Negative PR, Loss of rental income, Scheme slippage / downsizing,	Officer Lead	Executive Lead	H	A project planned to make best use of Council's assets.
			GE	AP		Meeting the Council's strategic capital requirement, incorporating Strategic Development Locations (SDL) in the MTFP.
			Risk Appetite	Direction of Travel		Resource planning for Strategic Development Locations (SDL) infrastructure needs.
			H	—		

Ref	Risk (Cause & Consequence)	Potential Impacts	Risk Score		Further Actions to Mitigate Risk	
(18)	The Council holds information of a confidential and sensitive nature. There have been past breaches of information security and it is an area under intensive scrutiny from the Information Commissioner. The primary risk is likely to concern paper based documents.	Imposition of a substantial fine, reputational damage/ bad media coverage, breach of contract and payment of damages, loss of future business, increased number of complaints, loss of trust from partner organisations/contractors.,	Officer Lead	Executive Lead	M	Continuing IGG programme of work & SIRO updates to CLT
	GE		PJ			
	Risk Appetite		Direction of Travel			
	L		—			
	<i>Loss of confidential or sensitive data, leading to a significant fine and reputational damage for the council, with a potentially damaging impact on the resident/ customer to which the information relates.</i>					
(20)	There needs to be clarity and agreement on how the vision and priorities will be interpreted and delivered. The vision and priorities need to be articulated through the corporate and service plans. The service and resource planning is being redesigned so it will align to the vision and priorities of the council enabling us to deliver on our priorities.	Organisational dissonance, disharmony across organisation, lack of clarity, different objectives / targets, delivery affected, fall behind neighbours, non-compliance with legislation.	Officer Lead	Executive Lead	L	Following Council approval of the Council Plan this will inform Service Plans for each area.
	AC		KB			
	Risk Appetite		Direction of Travel			
	L		—			
	<i>The council does not deliver its vision and priorities.</i>					

Ref	Risk (Cause & Consequence)	Potential Impacts	Risk Score		Further Actions to Mitigate Risk	
(23)	If the council fails to protect the health and safety of its employees and other persons who come into contact with the services provided by the authority there is a risk of serious injury or death.	Unlimited fine, Custodial Sentence, Publicity Order (Corporate Manslaughter only), Remedial Order (Corporate Manslaughter and HSWA), Removal of key staff, Reputational damage, Service delivery loss due to depleted resources, Damage to individuals wellbeing, An avoidable death or injury.	Officer Lead	Executive Lead	H	Annual historical benchmarking review of all Corporate Manslaughter and relevant Health and Safety cases in order to identify the key risk areas
			AC	KB		Risk Champions to facilitate the creation of Health and Safety risks on all Service Risk Registers
			Risk Appetite	Direction of Travel		Health and Safety training to be included in the Management Induction Programme for all new managers
	L		—	Training for managers and staff who procure and manage contracts to ensure that the Council as a client discharges its H&S duties.		
				To carry out a wider review across the Council of the arrangements in place to protect staff against violence at work		
				To provide a report of findings to CLT along with recommendations for improvement		
47	There is a risk that a health and safety failing could result in an intervention by a relevant enforcement agency and potential enforcement action or conviction.					
(27)	Degree and scale of change to the health and social care system will destabilise or cause wholesale system failure. Health and social care integration requires complex changes to pathways, accountabilities and funding - risk to governance and systems in the migration (e.g. patient/client information, lack of clarity as to case management responsibility and agency response). Changes to Better Care Fund performance criteria could lead to unfunded liabilities for the council. Push to shift health care to community base and be less dependent on in-patient acute care could lead to additional pressure on social care budgets that might not be adequately compensated by savings, either because savings are targeted to community health services, acute services, or not realised.	Poor service in health and social care systems, negative impact on population health, more costly interventions required, failure to meet legal responsibilities, reputational damage.	Officer Lead	Executive Lead	H	Local health and care integration project.
			SR	JMS		
			Risk Appetite	Direction of Travel		
	L		—			
Risk of failure of local health and/or social care system such that residents receive inadequate or unsafe response.						
Unsustainable additional financial pressure on adult social care budgets						

Ref	Risk (Cause & Consequence)	Potential Impacts	Risk Score		Further Actions to Mitigate Risk	
(28)	<p>The Care Act 2014 introduces profound and far reaching new duties on Local Authorities with regard to the wellbeing of the whole resident population, including from April 2015: -</p> <ul style="list-style-type: none"> - information, advice and practical support to all residents regardless of means - assessing all qualifying need, whether or not currently met through informal care - assessing carer need within a much broader definition of 'carer' and making arrangements to meet qualifying need <p>From April 2016: -</p> <ul style="list-style-type: none"> - funding support to any person who has expended £72000 on his/her care arrangements regardless of means - Eligibility assessment and setting up of Individual Care Accounts to determine when any individual reaches the £72k care cap <p><i>The scale of the new duties and the systems required to support them pose a risk that the council will fail to meet demand. The uncertainty with regard to the cost of the reforms and the degree to which government will fund them places the council at risk of unsustainable budgetary pressures</i></p>	<p>Failure to meet new duties/demand, Unsustainable budget pressure, Reputational damage., Inability to recruit/retain assessment staff.</p>	Officer Lead	Executive Lead	M	Local Care Act implementation programme
			SR	JMS		Challenge to DoH funding determination
			Risk Appetite	Direction of Travel		15/16 funding gap met from additional contribution via BCF, adult social care baseline growth and reserves
			L	—		
48 (29)	<p>The Council ICT is provided by Northgate Information Systems and the contract reaches a break point in Dec 2015. The Council intention is to have a new solution for ICT supply, a mix of private sector providers and in house provision. The plans for this Mixed Economy solution are well advanced and the areas of service desk, application support and TUPE transfer are on target. It is not possible to absolutely guarantee implementation without some consequences at this stage.</p> <p><i>If plans fail then the Council risks severe disruption to services and internal business.</i></p>	<p>Interruption of services, Inability to complete internal functions such as payments, Need to expend resources to carry out remedial action, Need to pay suppliers for emergency ICT services, Damage to reputation.</p>	Officer Lead	Executive Lead	H	Contained with project plans
			GE	PJ		
			Risk Appetite	Direction of Travel		
			L	↑		

Wokingham Borough Council

Annual Audit Letter for the year ended 31 March 2015

September 2015

Ernst & Young LLP



The Members
Wokingham Borough Council
Shute End
Wokingham
RG40 1BN

30th September 2015

Dear Members

Annual Audit Letter 2014-15

The purpose of this annual audit letter is to communicate to the Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2014-15 annual results report to the 28 September 2015 Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter.

The matters reported here are the most significant for the Council.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Yours faithfully

Maria Grindley
Director
For and on behalf of Ernst & Young LLP
Enc.

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Relevant parts of the Audit Commission Act 1998 are transitionally saved by the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015 for 2014/15 audits.

The Audit Commission's 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the accountable officer of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

Our 2014-15 audit work has been undertaken in accordance with the Audit Plan that we issued on 12 May 2015 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by an Annual Governance Statement (AGS). In the AGS the Authority reports publically on an annual basis on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and on any planned changes in the coming period. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements and on the consistency of other information published with them
- reviewing and reporting by exception on the Authority's Annual Governance Statement
- forming a conclusion on the arrangements the Authority has in place to secure economy, efficiency and effectiveness in its use of resources
- undertaking any other work specified by the Audit Commission and the Code of Audit Practice.

Summarised below are the results of our work across all these areas:

Area of work	Result
Audit of the financial statement of Wokingham Borough Council for the financial year ended 31 March 2015 in accordance with International Standards on Auditing (UK & Ireland)	On 28/09/15 we issued an unqualified audit opinion in respect of the Authority
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources	On 28/09/15 we issued an unqualified value for money conclusion
Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts	We reported our findings to the National Audit Office on 28/09/15
Consider the completeness of disclosures on the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA/ SOLACE guidance	No issues to report
Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit	No issues to report
Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act	No issues to report

As a result of the above we have also:

Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.

Our audit results report was issued on 28/09/15 to the Audit Committee

Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

Issued on 28/09/15

Issue a report to those charged with governance of the Authority summarising the certification (of grant claims and returns) work we have undertaken.

This will be issued on completion of the 2014-15 certification work

2. Key findings

2.1 Financial statement audit

The Authority's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and issued an unqualified audit report on 28 September 2015.

Our detailed findings were reported to the 28 September 2015 Audit Committee.

Key findings:

In comparison with prior years there have been a number of issues with the quality and version control of working papers. This was in part due to the implementation of the new ERP system in September 2014.

We will liaise with management to identify the lessons to be learnt in order to secure improvement for the 2015-16 audit.

2.2 Value for money conclusion

We carry out sufficient and relevant work to conclude whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This is known as our value for money conclusion.

In accordance with guidance issued by the Audit Commission, our 2014-15 value for money conclusion was based on two criteria. We consider whether the Council had proper arrangements in place for:

- ▶ securing financial resilience; and,
- ▶ challenging how it secures economy, efficiency and effectiveness

We issued an unqualified value for money conclusion on 28 September 2015.

Our audit did not identify any significant matters.

2.3 Whole of Government Accounts

We reported to the National Audit office (NAO) on 28 September 2015 the outcomes of our review of your WGA return conducted under instructions issued by the NAO. We did not identify any areas of concern.

2.4 Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern.

2.5 **Objections received**

We did not receive any objections to the 2014-15 financial statements from members of the Public.

2.6 **Other powers and duties**

We identified no issues during our audit that required using powers under the Audit Commission Act 1998, including reporting in the public interest.

2.7 **Certification of grant claims and returns**

We will issue the Annual Certification report for 2014-15 in November 2015.

3. Control themes and observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We did not identify any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in the Council's financial statements of which it was not already aware.

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Wokingham Borough Council

Audit Committee Progress Report

December 2015

Ernst & Young LLP



Audit Committee
Wokingham Borough Council
Shute End
Wokingham
RG401BN

26 November 2015

Dear Committee Member

Audit Progress Report

We are pleased to attach our Audit Progress Report. Its purpose is to provide the Committee with an overview of the progress that we have made with the work that we need to complete during the 2015/16 audit. This report is a key mechanism in ensuring that our audit is aligned with the Committee's service expectations. We will bring a progress report to each Committee except for those where we will bring the Audit Plan or the Audit Results Report.

Our audit is undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Helen Thompson
Executive Director
For and on behalf of Ernst & Young LLP
United Kingdom

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This progress update is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Progress report 2015/16 Audit

1.1 Fee letter

We issued our 2015/16 fee letter to the Council in April 2015.

1.2 Financial Statements

We adopt a risk based approach to the audit and, as part of our ongoing continuous planning we will continue to meet key officers regularly to ensure the 2015/16 audit runs as smoothly as possible and identify any risks at the earliest opportunity.

Planning and interim visit

We are scheduled to complete our walkthrough of the key financial systems in February/March 2016.

There are no significant matters arising from our initial planning meetings that we need to bring to your attention at this stage. We are continuing to liaise with officers on their plans in relation to the new requirements for transport infrastructure assets.

We will update the Committee when the testing of controls and early substantive testing has been completed.

Internal Audit

Internal Audit is a key part of the Council's internal control environment that we review during our assessment process. This process helps us to assess the level of risk of material errors occurring in the financial statements and informs the level of testing that we are required to complete in support of the audit opinion. We consider Internal Audit's progress with their annual audit plan and the results of their testing of financial systems and, where it is appropriate to do so, we will undertake procedures to enable us to place reliance upon this testing.

Post statements visit

We are in the process of finalising the exact dates for our audit visit, and we will have early discussions on the working papers required in support of the audit.

Our detailed audit plan, setting out the risks we have identified and the work we will undertake in response, will be presented to the Audit Committee in February 2016.

We will continue to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular payroll and journal entries.

We will also review and report to the National Audit Office, to the extent and in the form required by them, on your whole of government accounts return.

1.3 Value for money

The NAO has consulted on a draft Auditor Guidance Note (AGN) in respect of auditors' work on value for money (VFM) arrangements. The guidance has now been issued and sets out the proposed overall approach to work on VFM arrangements which apply to audits from 2015/16 onwards.

A copy of the final AGN, and the supporting information for local government bodies, can be viewed on the NAO website: <http://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>.

We are required to reach our statutory conclusion on arrangements to secure value for money based on the overall evaluation criterion, supported by sub-criteria as set out below.

The overall criterion for 2015/16 is:

- ▶ In all significant respects, you had proper arrangements to ensure you took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

And the sub criteria are:

- ▶ informed decision making;
- ▶ sustainable resource deployment; and
- ▶ working with partners and other third parties.

We will carry out our initial risk assessment in early 2016 and report the risks we have identified, and associated work we will carry out, to the Audit Committee in February 2016.

1.4 Local appointment of auditors

The Department of Communities and Local Government (DCLG) has announced that it has decided not to extend the existing arrangements for external audit contracts beyond the end of 2017/18. From 2018/19 onwards, local authorities will be responsible for appointing their own auditors, and directly managing the resulting contract and the relationship.

Although the new approach to local audit does not come into play until 2018/19, bodies will need to start putting in place the mechanism required to deliver this. As part of the process, bodies will need to set up auditor panels to advise on the selection, appointment and removal of external auditors, and on maintaining an independent relationship with them. These will need to be in place by early 2017, with the procurement process taking place in spring 2017 and external auditors being appointed by December 2017.

Existing external audit arrangements will remain unchanged for the 2015/16, 2016/17 and 2017/18 years.

1.5 Other issues of interest

In addition to our formal reporting and deliverables we provide practical business insights and updates on regulatory matters through our Sector Briefings.

2. Timetable

We set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we will provide to you through the 2015/16 Audit Committee cycle.

Audit phase	EY Timetable	Deliverable	Reported	Status
High level planning	Ongoing	Audit Fee Letter	June 2015	Completed
Risk assessment and setting of scope of audit	Dec 2015 - January 2016	Audit Plan	February 2016	In progress
Testing of routine processes and controls	Feb-March 2016	Progress Report	June 2016	
Year-end audit	August-September 2016	Audit results report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources) Whole of Government Accounts Submission to NAO based on their group audit instructions Audit Completion certificate	September 2016	Work is planned to start during August 2016.

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Local government audit committee briefing

Contents at a glance

Government and economic news

Accounting, auditing and governance

Regulation news

Key questions for the audit committee

Find out more

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake.

The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international

business. This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.



Government and economic news

EY Item Club Autumn Forecast

The latest EY Item Club forecast (Autumn 2015) predicts tougher times for the UK economy as what it describes as the 'consumer sugar rush' begins to fade.

GDP is forecast to grow by 2.5% this year (compared to 2.9% in 2014) and slow further to 2.4% in 2016 and 2.3% the year after. Consumer Price Inflation is expected to remain below target until 2018. Prospects for exports remain poor, and domestic consumption is likely to be affected by rising inflation and tighter fiscal policy from early 2016. Progress is seen to depend upon productivity gains rather than coming from the commodity price falls that are supporting demand this year. Businesses will need to work hard on overseas markets as opposed to relying on consumer-led domestic markets.

The forecast highlights that the last decade has seen a strong increase in the supply of labour which has depressed real wages and, arguably, productivity, but that we are now seeing a more normal recovery. This is characterised by an increase in the demand for labour, which boosts real wages and productivity. Wage inflation is highlighted as being strong. This is expected to be boosted further in April 2016 by the National Living Wage, the effects of which could be very significant for some sectors and regions.

Provided that increased productivity matches wage inflation, the expectation is that the Monetary Policy Committee will keep base rates on hold until next autumn.

For details of the EY Item Club's latest forecast, see <http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

Housing Associations Right to Buy

The Chartered Institute of Public Financial Accountants (CIPFA) has produced a briefing following the Government's announcement in October that it intends to extend its Right to Buy scheme to Housing Associations. The briefing seeks to explore the potential impact of these plans on Local Authorities.

Local authority housing is intended to be self-financing, based on 30 year business plans established in 2012 with the HRA self-financing regime, with Council housing for each council financed from its own rental income. This principle was reflected in the 30 year business plans, but CIPFA suggests that these business plans do not reflect recent changes contained within the budget. These changes include amendments to the rent policies as well as the proposed sale of high value local authority housing stock in order to compensate housing associations for the shortfall in income caused by the new Right to Buy scheme.

According to CIPFA, research has shown properties sold under the existing Right to Buy scheme have in many instances returned to the rental market at a higher level of rent than council levels. They have cited the example of Barking and Dagenham where it is said that 41% of properties purchased under the Right to Buy scheme are now let privately.

CIPFA warns 'Any legislation that leads to a negative impact on the housing business plan models of local authorities could seriously undermine the very basis of self-financing which promised autonomy for local authorities in the delivery of housing in their areas.'



Government and economic news

However, Communities Secretary Greg Clark said:

“We’re determined to ensure that home ownership is seen as a reasonable aspiration for working people.

Right to Buy is a key part of this, offering a helping hand to millions of people who would have no hope of buying their own home without it.

Today’s historic agreement with housing associations and the National Housing Federation will extend that offer even more widely, whilst at the same time delivering thousands of new affordable homes across the country.”

The Government agreement with housing associations and the National Housing Federation will see housing association tenants able to buy their homes from 2016.

CIPFA’s briefing document can be downloaded from <http://www.cipfa.org/cipfa-thinks/briefings>, and further information from the government is available at <https://www.gov.uk/government/news/historic-agreement-will-extend-right-to-buy-to-13-million-more-tenants>

Consultation: improving efficiency on Council Tax Collection

Council tax collection rates have been relatively high in recent years: 97% across England in both 2014/15 and 2013/14. However, the Government is looking at ways to enable local authorities to further improve collection rates.

To this end, the Government has issued a consultation on its proposals to improve the collection and enforcement process for council tax. The government’s stated intention is to help local authorities to keep council tax rates low, and so the proposals are aimed at ensuring that everyone contributes fairly.

The consultation follows a trial by Manchester City Council, Salford City Council, HMRC and the Cabinet office under the ‘Better Business Compliance Cabinet programme’, and reflects consideration of the findings from this trial.

An example of this is the Government’s proposal to extend the data-sharing gateway which currently exists between HMRC and local authorities. This would enable HMRC to share employment information with councils where council tax debtors have not voluntarily shared the information within 14 days of receiving a liability order. Manchester estimates, based on its pilot with HMRC, that this would recover £2.5mn of debt in its area alone.

The consultation also asks for other suggestions to improve council tax collection.

Responses are requested by 18 November 2015.

For more information on the consultation and details on how to respond, please see https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/466386/150930_Improving_Efficiency_of_Council_Tax_collection_Consultation_Doc.pdf



Government and economic news

Local Plans for New Homes

In October, the Government announced that councils will be required to produce local plans for new homes by 2017. Where councils fail to do so, the Government will consult with local people to ensure that plans are produced for them.

In 2012, the National Planning Policy Framework was introduced to provide guidance for local planning authorities and decision-takers, both in drawing up plans and making decisions about planning applications. This framework reinforced the role of local plans. It required the plans to include an annual trajectory over a period of around 15 years of how many homes they plan to build in their area, and it required local authorities to review this plan approximately every 5 years. Councils were also encouraged to give local people more say on where new developments would be located and what they would look like.

The Government have said that the response to this has been mixed:

- ▶ 82% of councils have published local plans which state how many homes they intend to build over a given period
- ▶ 65% have fully adopted these plans
- ▶ Nearly 20% of councils do not have an up to date plan

If councils fail to produce and bring into force an up to date plan for new homes by 2017, the Government intends to work with local people to ensure one is created.

Read the government press release at <https://www.gov.uk/government/news/prime-minister-councils-must-deliver-local-plans-for-new-homes-by-2017>



Accounting, auditing and governance

Proposals for further emergency services collaboration announced

The Government has launched a consultation which is looking into how the three core emergency services of Police, Fire and Rescue and the Ambulance service could potentially work together in a more efficient and effective manner. Key features of the consultation include:

- ▶ Enabling Police and Crime Commissioners (PCCs) to take on the duties and responsibilities of Fire and Rescue Authorities where a local case was made for this to happen
- ▶ Where a case is made by a local PCC to take on such a role, there would also be the possibility for them to take on the role of a single employer and in doing so enable the sharing of back office support functions
- ▶ Improving joint working between PCCs and local NHS Ambulance Foundation Trusts by encouraging them to allow PCCs to sit on their Council of Governors

The Government also intends to introduce a new statutory duty for the three emergency services to collaborate with one another; and sees this as not being a burden, but is about seeking efficiencies.

However, a key legal distinction would remain under the new proposals, in that a member of a police force will not be permitted under law to become a firefighter, and firefighters will not be given the power of arrest. In order to maintain transparency for local taxpayers, funding from central government will remain separate for police and fire organisations, as will council tax precepts.

<https://www.gov.uk/government/news/proposals-for-further-emergency-services-collaboration-announced>

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/459986/Consultation_-_Enabling_closer_working_between_the_Emergency_Services__w__2_.pdf

Finance in the Cloud?

Cloud computing allows users to rent access to a variety of virtual computing options, conveniently, ranging from network-accessible data storage and software development environments to fully featured applications. As such, the data and applications are not required to be stored on local servers or 'on-premise'; rather, they are hosted and managed by third-party cloud service providers (CSPs).

Enterprises essentially outsource varying levels of IT functionality to CSPs, and users only need an internet connection to access the data and applications via virtual servers. By moving into the cloud, organisations have the potential to reduce greatly, or even eliminate, the total cost of ownership (TCO) of the IT function, thereby forever altering their business model.

The benefits of cloud adoption are highly touted. However, over a decade ago, on-premise enterprise resource planning (ERP) solutions made similar promises. Although the trigger for rushed ERP implementations in the 1990s was the much-fretted Year 2000 (or Y2K) calamity, Y2K concerns turned out to be largely unfounded, and many finance executives would now argue that they have yet to reap genuine, tangible benefits from investing in costly ERP systems.



Accounting, auditing and governance

Although a company's financial management system is critical to success, EY is finding that many organisations have systems averaging from 10 to 15 years old, with upgrade cycles ranging from 5 to 10 years. Despite aging legacy systems, many finance decision-makers are hazy on how cloud solutions are really any different from the ERP solutions hyped in the previous decade.

Organisations that truly understand cloud technology, as well as the associated challenges and risks, are better placed to manage the impact of cloud computing on the finance function. Moreover, they must engage an agile innovation strategy focused on deploying the right operating model in order to realize fully the benefits of cloud computing.

In EY's experience, organisations that fail to make a robust cloud risk assessment often need to make subsequent, costly changes to the cloud model, thereby negating any savings gained from cloud migration. EY recommends that organisations develop a clear, attainable cloud strategy, including an appropriate operating model accompanied with a cloud risk management approach to mitigate risks and avoid a premature move to the cloud.

EY has a proven framework for cloud models, along with risk assessments and broad-based diagnostics to evaluate and optimise a cloud strategy that enables minimal disruption whilst accelerating an organisation's evolution. For more information on this, please talk to a member of your engagement team or read the EY publication at http://performance.ey.com/wp-content/uploads/downloads/2015/10/EY-Performance-Finance-in-the-cloud_Final.pdf

Value for Money Conclusion guidance

The NAO have recently released a consultation document (<http://www.nao.org.uk/keep-in-touch/wp-content/uploads/sites/11/2015/08/Vfm-arrangements-auditor-guidance-consultation-document.pdf>) a consultation document for auditors on their review of arrangements to secure economy, efficiency and effectiveness in their use of resources. This is also referred to as the three E's or the Value for Money (VfM) conclusion. The guidance covers the VfM work for 2015/16.

Based on the responses received to a similar consultation in 2014 the new draft guidance seeks to:

- ▶ Take forward existing guidance and reflect changing circumstance for public sector organisations such as finding savings and maintain financial stability over the medium and long term
- ▶ Update the definition of 'proper arrangements'
- ▶ Strengthen guidance on the identification and work around significant risks whilst maintaining a risk based approach
- ▶ Update and clarify the range of reporting opinions available to auditors and expectations at key stages of the audit
- ▶ Maintain sector specific guidance that will sit outside of the statutory guidance but can provide up-to-date information on sector specific risks

The consultation closed on 30 September and the NAO will communicate a summary of the responses once they have reviewed them. Further information can be found at <https://www.nao.org.uk/keep-in-touch/our-surveys/consultation-auditors-work-on-value-for-money-arrangements/>.



Regulation news

Consultation on 2016/17 proposed fee scales

Public Sector Audit Appointments (PSAA) is currently consulting on both the work programme and scale of fees for 2016/17 audits. The consultation describes the work that auditors will undertake at principal audited bodies for 2016/17 and their associated scales of fees.

There are no planned changes to the overall work programme for 2016/17 and their proposal is to set scale audit fees at the same level as the scale fees for 2015/16 which already reflect a reduction of 25% in addition to the reduction of up to 40% made from 2012/13.

A change in accounting requirements in 2016/17 relating to highways infrastructure assets will require additional audit work at some authorities. As the amount will differ between authorities, the fee variation process will apply in 2016/17 for this additional work.

The consultation closes on Friday 15th January 2016, and the final work programme will be published following this in March 2016.

For details of the consultation, please refer to the PSAA website at <http://www.psaa.co.uk/audit-and-certification-fees/consultation-on-201617-proposed-fee-scales/>

NAO Case Study: managing reductions in local authority government funding

The National Audit Office (NAO) has made available more than 30 case studies which give examples of how organisations have used their recommendations or analysis to support the achievement of financial savings.

One of these case studies follows the production of its 2014 report 'Financial Sustainability of Local Services'

The NAO case study states that following their report, the Department for Communities and Local Government (DCLG) has acknowledged that its processes for estimating local authority spending requirements and assessment the potential impacts of spending reductions need to be improved.

They also note use of their report in the sector, citing the following examples:

- ▶ Leeds City Council and Birmingham City Council have drawn on the work in their debates with central government over devolution
- ▶ Wolverhampton City Council and Oldham Council have used the work to inform discussion and decision-making in cabinet meetings and audit and scrutiny meetings
- ▶ The Local Government Association and treasurers' societies have used the analysis from the report to inform their thinking

Find out more about the impact made by NAO reports in their interactive pdf at <https://www.nao.org.uk/wp-content/uploads/2015/10/Impacts-case-studies-2014.pdf>



Key questions for the audit committee

What questions should the Audit Committee ask itself?

Have we considered the impact of the extension of Right to Buy and reflected our consideration in our Medium Term financial plans and/or Local Plan?

How successful are we in systematically improving our collection rates for Council Tax? Is there best practice that we could share via the Government's consultation?

What is our mid to long term IT strategy? Are we considering cloud-based IT and if so how robust are our risk assessments supporting the shift?

Have we formulated a response to the PSAA consultation on the work programme and scale of fees for 2016/17?



Find out more

EY Item Club Autumn Forecast

For details of the EY Item Club's latest forecast, see <http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

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Finance in the Cloud?

To find out more about Cloud Computing and how EY can support you, please ask a member of your engagement team or read the EY publication at http://performance.ey.com/wp-content/uploads/downloads/2015/10/EY-Performance-Finance-in-the-cloud_Final.pdf

Value for Money Conclusion guidance

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NAO Case Study: Managing reductions in local authority government funding

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EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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Agenda Item 38.

TITLE	Treasury Management Mid-Year Report 2015-16
FOR CONSIDERATION BY	Audit Committee on 8 December 2015
WARD	None specific
DIRECTOR	Graham Ebers, Director Finance and Resources

OUTCOME / BENEFITS TO THE COMMUNITY

Effective and safe use of our resources to deliver service improvements and service continuity through capital investments.

RECOMMENDATION

The Audit Committee are asked to:

- 1) Note the mid-year Treasury Management report for 2015/16.
- 2) Note the actual 2015/16 prudential indicators within the report.
- 3) Recommend the report to Council for approval.

SUMMARY OF REPORT

The Treasury Management Mid-Year Report 2015/16 is a requirement of the Prudential Code and the Council's reporting procedures. It covers the treasury activity during the first half of 2015/16 and the actual Prudential Indicators for this period. All Prudential indicators are being adhered to and external debt continues to be contained by using internal balances in a way that minimises capital financing costs for the council's taxpayer's.

Background

The report highlights the Council's treasury position as at 30th September 2015, sets out the treasury decisions taken so far during 2015/16 and shows that the Council has complied with the strategy and the prudential indicators that were set prior to the financial year.

The first six months of the financial year have continued with the challenging investment environment of previous years, namely low investment returns and continuing heightened levels of counterparty risk.

Analysis of Issues

In the first six months external debt did not increase as the council took the opportunity to use internal funds and other sources to fund the capital programme. As at 30th September 2015 the Non- Housing Revenue Account (HRA) external debt was £46.6m and the HRA External Debt as at 30th September 2015 was £85.0m.

The budget for capital in 2015/16 is £107.5m. The profile of expenditure on this budget has been spread over two years.

2015-16 - £65.8m
2016-17 - £41.7m

The anticipated expenditure as at 31st March 2015 is £53.4m.

The Director of Finance and Resources confirms that as at 30th September 2015 there have been no breaches of the treasury strategy 2015-16.

List of Background Papers

The full Treasury Mid-Year report for 2015/16 is shown in Appendix A.

The Councils Prudential indicators are shown in Appendix B

The Councils Current Loan Portfolio Appendix C

The Councils Counter Party Limits at the 30th September 2015 are shown in Appendix D

The Councils Current Investments at the 30th September 2015 are shown in Appendix E

A Glossary of Terms is shown in Appendix F

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	£53.4m Expenditure £0.8m Return on Investments	Yes	Capital and Revenue
Next Financial Year (Year 2)	To be determined through the Medium term financial plan		Capital and Revenue
Following Financial Year (Year 3)	N/A		

Other financial information relevant to the Recommendation/Decision

N/A

Cross-Council Implications

N/A

Reasons for considering the report in Part 2

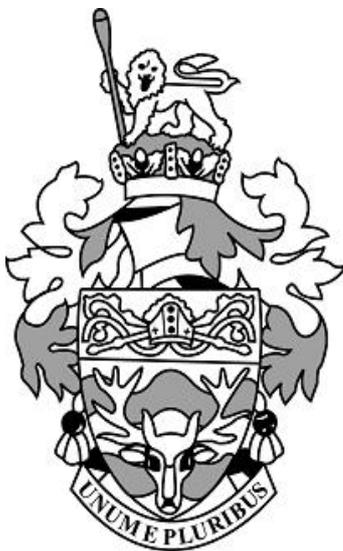
N/A

List of Background Papers

N/A

Contact Martin Jones	Service Finance & Resources
Telephone No 0118 9746877	Email martin.jones@wokingham.gov.uk
Date 27th November 2015	Version No. 1

WOKINGHAM BOROUGH COUNCIL



WOKINGHAM BOROUGH COUNCIL

Treasury Management Strategy Mid-year Review Report 2015/16

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Appendices

Prudential and Treasury indicators	Appendix B
Loan Portfolio.....	Appendix C
Counterparty List	Appendix D
Current Investments.....	Appendix E
Glossary of Terms	Appendix F

1) Introduction and Background

a) The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously borrowed may be restructured to meet Council risk or cost objectives.

b) The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management has been adopted by Wokingham Borough Council

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a **Mid-year Review Report** and an Annual Report covering activities of the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this the Council's delegated body is the Audit Committee.

2) This report summarises the following:-

- a. An economic update for the 2015/16 financial year to 30 September 2015;
- b. A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- c. The Council's capital expenditure (prudential indicators);
- d. A review of the Council's investment portfolio for 2015/16;
- e. A review of the Council's borrowing strategy for 2015/16;
- f. A review of any debt rescheduling undertaken during 2015/16;
- g. A review of compliance with Treasury and Prudential Limits for 2015/16.

3) Economic update**3.1 Economic performance to date and outlook**

After strong growth in 2014 this has been varied in 2015. Quarter 1 was weak but rebounded in quarter 2. The weak growth in Europe and emerging markets and dampening effect of the Government's continuing austerity programme is expected to give weaker growth in Quarter 3.

In contrast the Bank of England August Inflation Report had included a forecast for growth to remain around 2.4 – 2.8% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero over the last quarter. Investment expenditure is also expected to support growth. However, since the report was issued, the Purchasing Manager's Index, (PMI), for services on 5 October indicated a further decline in the growth rate to only +0.3% in Q4, which is the lowest rate since the end of 2012. In addition, worldwide economic statistics and UK consumer and business confidence have distinctly weakened so it would therefore not be a surprise if the next Inflation Report in November were to cut those forecasts made in August.

The August Bank of England Inflation Report forecast was notably subdued in respect of inflation which was forecast to barely get back up to the 2% target within the 2-3 year time horizon. However, with the price of oil taking a fresh downward direction and Iran expected to soon rejoin the world oil market after the impending lifting of sanctions, there could be several more months of low inflation still to come, especially as world commodity prices have generally been depressed by the Chinese economic downturn.

There are therefore considerable risks around whether inflation will rise in the near future as strongly as had previously been expected; this will make it more difficult for the central banks of both the US and the UK to raise rates as soon as was being forecast until recently, especially given the recent major concerns

around the slowdown in Chinese growth, the knock on impact on the earnings of emerging countries from falling oil and commodity prices, and the volatility we have seen in equity and bond markets in 2015 so far, which could potentially spill over to impact the real economies rather than just financial markets.

3.2 Interest rate forecasts

Wokingham Borough Council's treasury advisor, Capita Asset Services, has provided the following forecast:

^aIncludes Certainty Rate Discount

Interest Rate Forecasts								
Bank Rate								
	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17
Capita	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%
Capital Eco.	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%
5yr PWLB Rate								
Capita	2.30%	2.40%	2.60%	2.70%	2.80%	2.80%	2.90%	3.00%
Capital Eco.	2.40%	2.60%	2.70%	2.80%	3.00%	3.10%	3.20%	3.30%
10yr PWLB Rate								
Capita	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%
Capital Eco.	2.80%	3.05%	3.05%	3.05%	3.30%	3.30%	3.55%	3.55%
25yr PWLB Rate								
Capita	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%
Capital Eco.	3.35%	3.35%	3.45%	3.45%	3.55%	3.65%	3.75%	3.85%
50yr PWLB Rate								
Capita	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%
Capital Eco.	3.40%	3.40%	3.50%	3.50%	3.60%	3.70%	3.80%	3.90%

This latest forecast includes a first increase in Bank Rate in quarter 2 of 2016. Given the anticipated rise in the interest rate the treasury function will review WBC position on longer term external borrowing as opposed to a dependence on internal funds.

4) Treasury Management Strategy Statement and Annual Investment Strategy update

The Treasury Management Strategy Statement (TMSS) for 2015/16 was approved by the Council on 19th of February 2015

- There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

5) The Council's Capital Position (Prudential Indicators)

This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

5.1 The Council's Capital Position (Prudential Indicators)

The Table below shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Service	2015/16 Budget As per the TMSS	Budget As per Capital Programme @ 30/09/2015	Movement
Children's Services	27,474	30,748	3,274
Health and Wellbeing	15,710	23,381	7,671
Environment	16,995	19,787	2,792
Finance & Resources	9,490	5,282	(4,208)
Chief Executive	18,112	18,399	287
Subtotal (Non HRA)	87,781	97,599	9,818
Housing revenue Account (HRA)	8,064	9,937	1,873
Subtotal (HRA)	8,064	9,937	1,873
Grand Total	95,845	107,536	11,691

The budget of £107.5m is an increase of £11.7m from the original budget agreed in the TMSS. The movement is due to £0.5m of additional WBC resources (section 106 etc.) and the actual 2014/15 carry forward being £11.2m higher than estimated in TMSS.

5.2 Changes to the Financing of the Capital Programme

The table on the following page summarises how the above capital budget are being financed by capital or revenue resources and the movement since the TMSS was agreed. Any shortfall of resources results in a funding need.

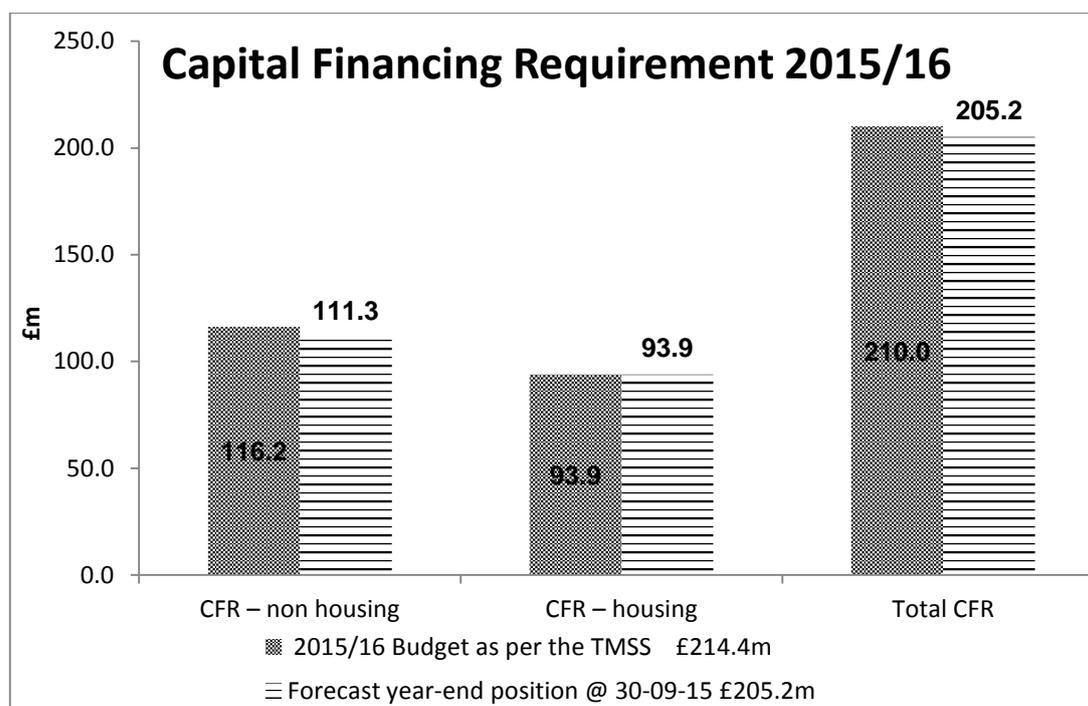
Funding Source	2015/16 Budget As per the TMSS £'000	Budget As per Capital Programme @ 30/09/2015 £'000
HRA - major repairs reserve	4,220	4,220
Capital Grants & Contributions	3,844	4,749
Capital Receipts/Reserves		968
Subtotal (HRA)	8,064	9,937
NON -HRA		
Capital Receipts/Reserves	2,837	4,743
Section 106	21,547	23,920
Capital Grants & Contributions	24,587	28,171
Community infrastructure Levy	0	0
Subtotal (Non HRA)	48,971	56,835
Borrowing need for the year *	38,810	40,764
Grand Total	95,845	107,536

* Net financing (borrowing) is funded by either external borrowing (PWLB loans etc.) or internal borrowing (use of cash flow funds).

This is not an increase in cumulative borrowing; it is as a result of expenditure movement between 2014/15 and 2015/16.

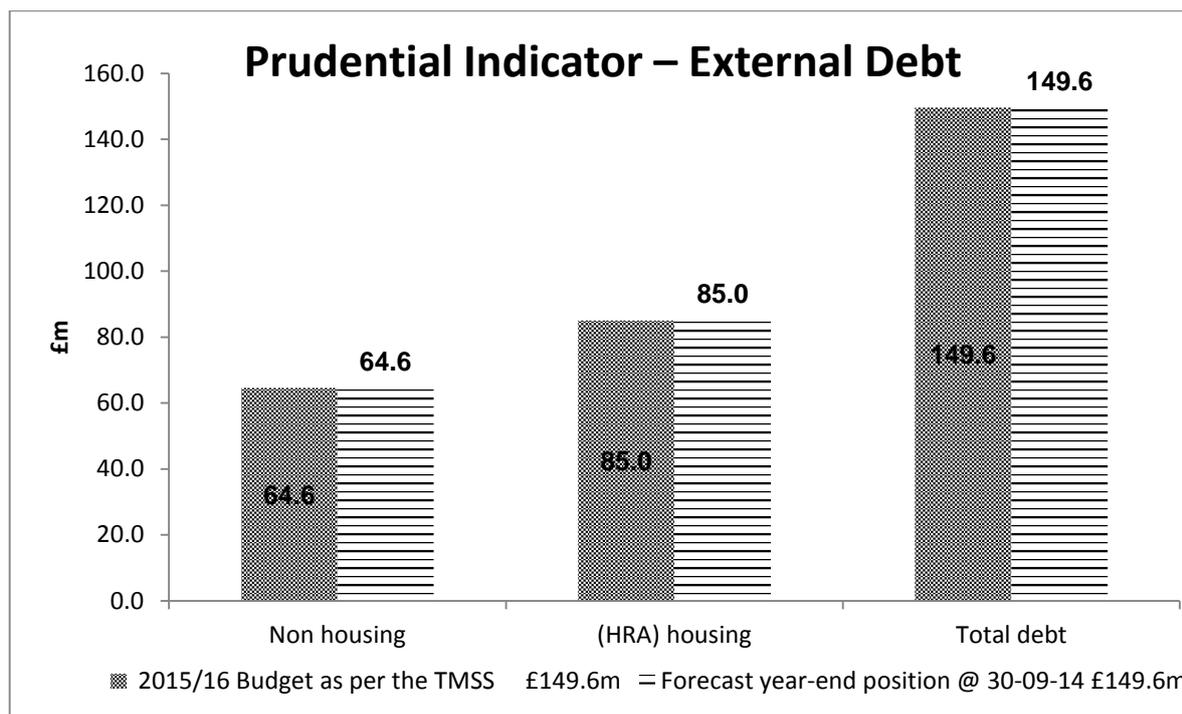
5.3.1 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR)

The following graphs and tables show the CFR, which is the underlying external need to incur borrowing for a capital purpose up until 31st March 2016 as estimated at 30th September 2015 compared to the Treasury Management Strategy 2015/16 (TMSS).



5.3.2 Changes to the Prudential Indicators External Debt

The following graph shows the changes to external debt position 2015/16 up until 31st March 2016 estimated at the 30th September 2015 compared to the Treasury Management Strategy 2015/16 (TMSS).



5.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2015/16 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

Prudential Indicator – External Debt	2015/16 Budget As per the TMSS £'000	Forecast year-end position @ 30-09-15 £'000
External borrowing	149,602	149,602
Plus other long term liabilities*	9,000	9,000
Gross borrowing	158,602	158,602
CFR* (year-end position)	210,027	205,198
Does gross borrowing exceed CFR?	NO	NO

* Includes on balance sheet PFI schemes and finance leases etc.

The movement between TMSS and forecast end of year position is due to the delay in progression of the Town Centre Regeneration scheme, this delay was to enable enhancement from feedback and consultation.

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational boundary £'000	2015/16 As per the TMSS £'000*	External borrowing position @ 30-09-15 £'000	Forecast year-end borrowing @ 30-09-15 £'000
Debt	202,000	149,602	149,602
Other long term liabilities	10,000	9,000	9,000
Total	212,000	158,602	158,602

* Note: This is a boundary not the budget set in the accounts.

The authorised limit for external debt. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desirable, could be afforded in the short term, but is not sustainable in the longer term.

Authorised limit £'000	2015/16 As per the TMSS £'000*	External borrowing position @ 30-09-15 £'000	Forecast year-end borrowing @ 30-09-15 £'000
Debt	210,000	149,602	149,602
Other long term liabilities	12,000	9,000	9,000
Total	222,000	158,602	158,602

* Note: This is a boundary not the budget set in the accounts.

Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit is currently:

	2015/16 As per the TMSS £'000*	External borrowing position @ 30-09-15 £'000	Forecast year-end borrowing @ 30-09-15 £'000
HRA Debt limit	102,000	93,892	93,892
HRA Headroom	102,000	93,892	93,892

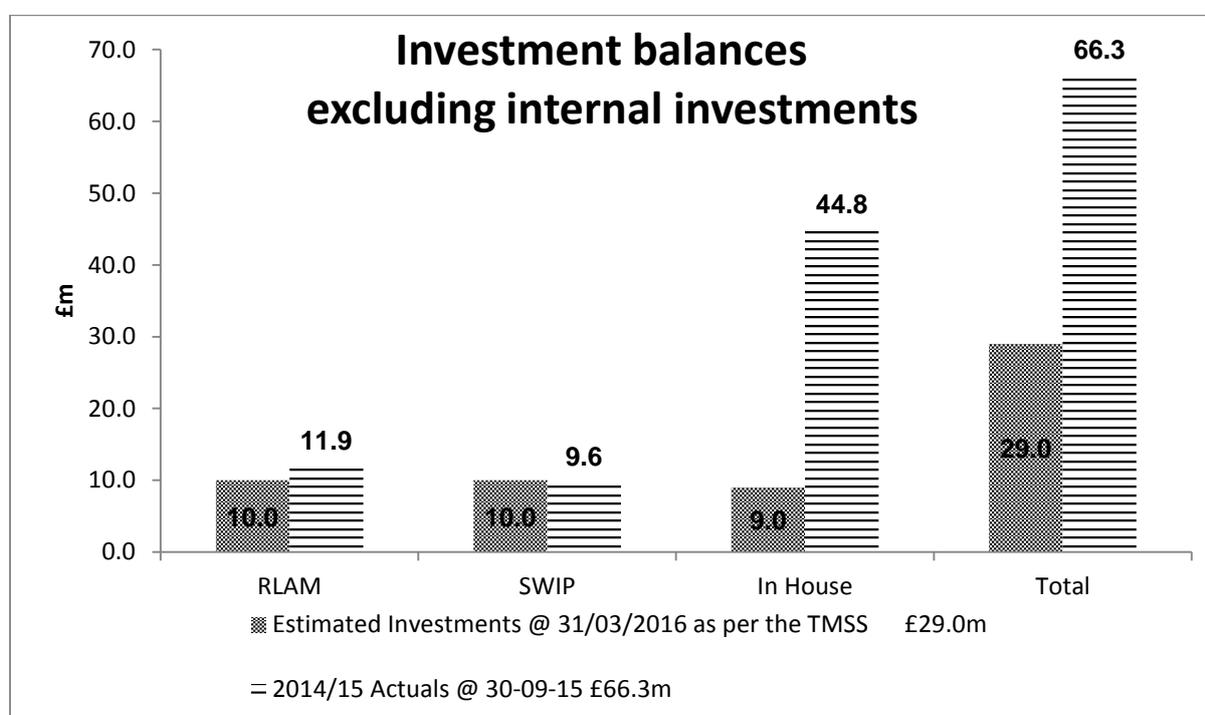
* Note: This is a boundary not the budget set in the accounts.

The Director of Finance and Resources reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

6. Investment Portfolio 2015/16

In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As set out in Section 3, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.5% Bank Rate. Indeed, the introduction of the Funding for Lending scheme has reduced market investment rates even further. The potential for a prolonging of the Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment, investment returns are likely to remain low.

The Council's Level of investments as at 30 September 2015



As at 30th September the Investment balances are £37.3m higher than the estimated 31st March balance. This is largely due to the following:

- Grant/Receipts are received in advance of the anticipated expenditure.
- The capital expenditure for 2014/15 was £11.2m lower than anticipated.
- The delay in progressing the Town Centre Regeneration scheme

The levels of investments are expected to reduce by the 31st March 2016, as the council expenditure plans are met. A full list of investments held as at 30th September 2015 is shown in appendix C:

The Council's investment return for 2015/16

Investment balances excluding internal investments	2015/16 Budget As per the TMSS £'000	2015/16 Actuals @ 30-09-15 £'000
RLAM	10,000	11,887
SWIP	10,000	9,579
In House*	9,000	44,800
Total	29,000	66,266

* In house includes the following:

HRA loan at a rate of 4.5%

Wokingham Housing Limited loans at a rate 6%

Age concern loan at 1.99%

The average of In house investments excluding the internal loan is 0.45%

The Director of Finance and Resources confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2015/16.

7. Borrowing 2015/16

The Council's capital financing requirement (CFR) forecast outturn 2015/16 as at 30th September is £205.2m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing).

The following table shows the Council has borrowings of £149.6m (external borrowing and other long term liabilities) and has utilised £46.6m of cash flow funds in lieu of borrowing (Internal Borrowing) This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that upside risk to gilt yields prevails.

Internal borrowing	2015/16 Budget As per the TMSS £'000	2015/16 Forecast year end @ 30-09-15 £'000
CFR (year-end position)	210,196	205,198
Less External Borrowing	(149,602)	(149,602)
Less Other long term liabilities	(9,000)	(9,000)
Internal Borrowing	51,594	46,596
% of internal borrowing to CFR	24.5%	22.7%

	2014/15 @31/03/15	2015/16 Forecast year end @ 30-09-15 £'000
Internal borrowing	55,838	46,596
Movement from 2014/15		(9,242)

As mentioned in section 3.2 the treasury function will review WBC position on longer term external borrowing as opposed to a dependence on internal funds. reflecting in part the expected rise in the Bank rate.

It is not anticipated that further borrowing will be required during this financial year.

8. Debt Rescheduling 2015/16

No debt rescheduling was undertaken during the first six months of 2015/16 or is proposed for the remainder of the financial year. There are forecast to be new loans taken out to the value of £18m by 31st March 2016. This will be at a special

rate 40 bases point lower than the PWLB rate. (Local Enterprise Partnership Agreement).

Prudential and treasury indicators as at 30st September 2015
(Not previously reported Appendix A)

Upper limit -Debt Only	2015/16 Budget	Quarter 1 (Apr-Jun) Actual	Quarter 2 (Jul-Sep) Actual
	£'000	£'000	£'000
On fixed rate exposures	180,000	107,482	107,482
On variable rate exposures	40,000	24,000	24,000

Upper limit -Investments Only	2015/16 Budget	Quarter 1 (Apr-Jun) Actual	Quarter 2 (Jul-Sep) Actual
	£'000	£'000	£'000
On fixed rate exposures	(80,000)	(51,075)	(48,073)
On variable rate exposures	(40,000)	(12,363)	(18,178)

Prudential Indicators General Fund	2015/16 Budget	Quarter 1 15/16 Year end forecast	Quarter 2 15/16 Year end forecast
	£'000	£'000	£'000
Capital expenditure	87,781	64,476	39,868
Capital Financing Requirement (CFR)	116,320	123,915	111,322
Annual change in CFR	13,525	18,728	9,374
In year borrowing requirement	69,736	59,331	46,738
Ratio of financing costs to net revenue stream	4.5%	3.5%	3.5%

The percentage of the revenue budget set aside each year to service debt financing costs.

This is calculated as follows: Financing cost Divide by Net revenue stream

As per budget 2015/16: £5,793 / £127,711 = 4.54%

Prudential Indicators HRA	2015/16 Budget	Quarter 1 15/16 Year end forecast	Quarter 2 15/16 Year end forecast
	£'000	£'000	£'000
Capital expenditure	8,064	8,064	13,491
Capital Financing Requirement (CFR)	93,876	93,876	93,876
Annual change in CFR	0	0	0
In year borrowing requirement	0	0	0
Ratio of financing costs to net revenue stream	18.2%	18.0%	18.5%

The percentage of the revenue budget set aside each year to service debt financing costs.

This is calculated as follows: Financing cost Divide by Total income received

As per budget 2015/16: £2,852 / £15702 = 18.16%

Incremental impact of capital investment decisions:-	2015/16 Budget	Quarter 1 15/16 Year end forecast	Quarter 2 15/16 Year end forecast
	£'000	£'000	£'000
a) Increase in council tax (band change) per annum.	30.98	30.85	29.06

This is the incremental impact on council tax (D equivalent) of the recommended capital investment plans and funding proposals.

	2015/16 Budget	Quarter 1 15/16 Year end forecast	Quarter 2 15/16 Year end forecast
	%	%	%
Ave rate of interest on debt (Longterm)			
Non HRA	4.38%	4.38%	4.38%
HRA including GF internal loan	2.87%	2.87%	2.87%
Total	3.35%	3.35%	3.35%

	2015/16 Budget £'000	Quarter 1 15/16 Year end forecast £'000	Quarter 2 15/16 Year end forecast £'000
Short term borrowing limit	20,000	0	0

Internal Borrowing	2015/16 Budget £'000	Quarter 1 15/16 Year end forecast £'000	Quarter 2 15/16 Year end forecast £'000
CFR (year end position)	210,196	217,791	205,198
Less External Borrowing	(149,602)	(140,737)	(149,611)
Less Other long term liabilities	(10,000)	(10,000)	(10,000)
Internal Borrowing	50,594	67,054	45,587
Movement	(5,499)	16,460	(5,007)
% of internal borrowing to CFR	24.07%	30.79%	22.22%

	201/15 Budget	Quarter 1 15/16 Year end forecast	Quarter 2 15/16 Year end forecast
	£'000	£'000	£'000
Internal investments: (Principal)			
HRA Internal loan from the General fund	8,874	8,874	8,874
Age Concern	150	150	150
Wokingham Housing	1,000	200	115
Total	10,024	9,224	9,139

	2015/16 Budget	Quarter 1 15/16 Year end forecast	Quarter 2 15/16 Year end forecast
	£'000	£'000	£'000
Internal investments: Interest Received			
HRA Internal loan from The General fund	399	399	399
Wokingham Housing	0	41	41
Age Concern	0	3	3
	399	444	444

General Fund Loan portfolio

Type of loan	Reference no.	Counterparty	Start Date	Maturity Date	Principal £'000	Interest Rate
General Fund						
loan - Maturity	485805	PWLB		01 August 2022	976	4.88%
loan - Maturity	488876	PWLB	16 July 2004	01 February 2034	2,343	4.95%
loan - Maturity	491320	PWLB	15 February 2006	01 August 2051	2,929	3.85%
loan - Maturity	491456	PWLB	26 April 2006	30 September 2046	1,431	4.35%
loan - Maturity	491474	PWLB	28 April 2006	01 August 2052	5,587	4.40%
loan - Maturity	493309	PWLB	24 May 2007	31 March 2054	9,764	4.60%
LOBO loan - Fixed	3b	Barclays	24 February 2007	24 February 2077	4,882	4.35%
LOBO loan - Fixed	2c	Barclays	11 January 2007	11 January 2077	4,882	4.60%
LOBO loan - Fixed	1c	KA Finaz AG	06 February 2006	06 February 2066	4,882	4.88%
LOBO loan - Fixed	4	Barclays	16 February 2006	16 February 2066	1,953	3.68%
LOBO loan - Fixed	5	Barclays	19 October 2006	19 October 2076	4,882	3.73%
LOBO loan - Fixed	6	Barclays	19 October 2006	19 October 2076	1,953	3.77%
Local Enterprise Board			03 January 2014	03 January 2016	120	0.00%
					46,584	

Housing Revenue Fund Loan portfolio

Type of loan	Reference no.	Counterparty	Start Date	Maturity Date	Original Principal £000	Interest Rate %
Housing Revenue Account (HRA)						
Loan - Maturity	485805	PWLB		01 August 2022	24	4.88%
Loan - Maturity	488876	PWLB	16 July 2004	01 February 2034	57	4.95%
Loan - Maturity	491320	PWLB	15 February 2006	01 August 2051	71	3.85%
Loan - Maturity	491456	PWLB	26 April 2006	30 September 2046	35	4.35%
Loan - Maturity	491474	PWLB	28 April 2006	01 August 2052	135	4.40%
Loan - Maturity	493309	PWLB	24 May 2007	31 March 2054	236	4.60%
Loan - Maturity	501033	PWLB	28 March 2012	28 March 2018	1,750	1.50%
Loan - Maturity	501034	PWLB	28 March 2012	28 March 2021	3,482	2.21%
Loan - Maturity	501035	PWLB	28 March 2012	28 March 2032	8,516	3.30%
Loan - Maturity	501036	PWLB	28 March 2012	28 March 2020	1,988	1.99%
Loan - Maturity	501037	PWLB	28 March 2012	28 March 2031	7,231	3.26%
Loan - Maturity	501038	PWLB	28 March 2012	28 March 2022	4,199	2.40%
Loan - Maturity	501039	PWLB	28 March 2012	28 March 2029	6,378	3.15%
Loan - Maturity	501040	PWLB	28 March 2012	28 March 2027	5,415	3.01%
Loan - Maturity	501041	PWLB	28 March 2012	28 March 2017	3,476	1.24%
Loan - Maturity	501043	PWLB	28 March 2012	28 March 2033	9,276	3.34%
Loan - Maturity	501044	PWLB	28 March 2012	28 March 2034	1,000	3.37%
Loan - Maturity	501045	PWLB	28 March 2012	28 March 2025	3,744	2.82%
Loan - Maturity	501046	PWLB	28 March 2012	28 March 2028	5,981	3.08%
Loan - Maturity	501047	PWLB	28 March 2012	28 March 2030	6,789	3.21%
Loan - Maturity	501048	PWLB	28 March 2012	28 March 2026	3,971	2.92%
Loan - Maturity	501049	PWLB	28 March 2012	28 March 2024	4,116	2.70%
Loan - Maturity	501050	PWLB	28 March 2012	28 March 2023	3,484	2.56%
Loan - Maturity	501051	PWLB	28 March 2012	28 March 2019	3,098	1.76%
LOBO loan - Fixed	3b	Barclays	24 February 2007	24 February 2077	118	4.35%
LOBO loan - Fixed	2c	Barclays	11 January 2007	11 January 2077	118	4.60%
LOBO loan - Fixed	1c	KA Finaz AG	06 February 2006	06 February 2066	118	4.88%
LOBO loan - Fixed	4	Barclays	16 February 2006	16 February 2066	47	3.68%
LOBO loan - Fixed	5	Barclays	19 October 2006	19 October 2076	118	3.73%
LOBO loan - Fixed	6	Barclays	19 October 2006	19 October 2076	47	3.77%
					85,018	
Total					131,602	

COUNTERPARTY LIMITS 31/03/2015
MAXIMUM OF £5m per Group (DMO- £20m)

Appendix D

Name	Institution	Country	Fitch Long Term Rating *	Individual Limit per LCD £000	Max Duration Months	Current Investment £000	Available Balance £000	Active
Barclays Bank	Bank	United Kingdom	AA+	3,000	6	0	3,000	
Barnsley BC	Local Authority	United Kingdom	AA+	5,000	12	0	5,000	
Birmingham CC	Local Authority	United Kingdom	AA+	5,000	12	3,000	2,000	
Blackpool BC	Local Authority	United Kingdom	AA+	5,000	12	3,000	2,000	
Coventry BS	Building Society	United Kingdom	AA+	2,000	6	0	2,000	
Dundee	Local Authority	United Kingdom	AA+	5,000	12	0	5,000	
Heritable	Frozen	United Kingdom	Frozen	0	Frozen	0	0	
Lancashire CC	Local Authority	United Kingdom	AA+	5,000	12	5,000	0	
Landsbanki	Frozen	United Kingdom	Frozen	0	Frozen	0	0	
Leeds BS	Building Society	United Kingdom	AA+	2,000	6	0	2,000	
Leeds CC	Local Authority	United Kingdom	AA+	5,000	12	0	5,000	
London Borough of Enfield	Local Authority	United Kingdom	AA+	5,000	12	5,000	0	
Middlesbrough BC	Local Authority	United Kingdom	AA+	5,000	12	0	5,000	
Nationwide BS	Building Society	United Kingdom	AA+	2,000	6	0	2,000	
Newcastle CC	Local Authority	United Kingdom	AA+	5,000	12	0	5,000	
Salford CC	Local Authority	United Kingdom	AA+	5,000	12	1,000	4,000	
Santander UK	Bank	United Kingdom	AA+	3,000	6	0	3,000	
Stirling Council	Local Authority	United Kingdom	AA+	5,000	12	0	5,000	
Wakefield Council	Local Authority	United Kingdom	AA+	5,000	12	0	5,000	
Deutsche Global (Henderson)	Money Market Fund	Ireland	AA+	5,000	36	0	5,000	
RBS MMF	Money Market Fund	DO NOT USE	DO NOT USE	0	0	0	0	
RBS Gov't Back MMF	Money Market Fund	DO NOT USE	DO NOT USE	0	0	0	0	
Invesco	Money Market Fund	United Kingdom	AA+	5,000	36	0	5,000	
Debt Management Office (DMO)	Government	United Kingdom	AA+	20,000	3	0	20,000	
Royal Borough of Kensington	Local Authority	United Kingdom	AA+	5,000	12	0	5,000	
Goldman Sachs Govt	Money Market Fund	United Kingdom	AA+	5,000	36	0	5,000	
Goldman Sachs	Money Market Fund	United Kingdom	AA+	5,000	36	0	5,000	
Woking Borough Council	Local Authority	United Kingdom	AA+	5,000	12	5,000	0	
West Lothian Council	Local Authority	United Kingdom	AA+	5,000	12	3,000	2,000	
Capital Purchase	To be decided	United Kingdom	0	1,000	0	0	1,000	
Fife Council	Local Authority	United Kingdom	AA+	5,000	12	5,000	0	
Eastleigh BC	Local Authority	United Kingdom	AA+	5,000	12	0	5,000	
South Lanarkshire Council	Local Authority	United Kingdom	AA+	5,000	12	0	5,000	
Dudley MBC	Local Authority	United Kingdom	AA+	5,000	12	3,000	2,000	
Rhondda Taff Council	Local Authority	United Kingdom	AA+	5,000	12	0	5,000	
HSBC Bank PLC	Bank	United Kingdom	AA+	3,000	12	0	3,000	
Lloyds banking group	Bank	United Kingdom	AA+	3,000	6	0	3,000	
Sumitomo Mitsu Corporation	Bank	United Kingdom	AA+	3,000	6	0	3,000	
Close Brothers	Bank	United Kingdom	AA+	3,000	12	0	3,000	
Australia and New Zealand Banking	Bank	Australia	AAA	3,000	12	0	3,000	
Commonwealth bank of Australia	Bank	Australia	AAA	3,000	12	0	3,000	
National Australia Bank Limited	Bank	Australia	AAA	3,000	12	0	3,000	
Westpac Banking Corporation	Bank	Australia	AAA	3,000	12	0	3,000	
KfW	Bank	Germany	AAA	5,000	12	0	5,000	
Landwirtschaftliche Rentenbank	Bank	Germany	AAA	5,000	12	0	5,000	
Banque et Caisse d'Epargne de l'Et	Bank	Luxembourg	AAA	3,000	12	0	3,000	
Clearstream Banking	Bank	Luxembourg	AAA	3,000	12	0	3,000	
DBS Bank Ltd	Bank	Singapore	AAA	3,000	12	0	3,000	
Oversea-Chinese Banking Group	Bank	Singapore	AAA	3,000	12	0	3,000	
United Overseas Bank limited	Bank	Singapore	AAA	3,000	12	0	3,000	
Nordea Bank AB	Bank	Sweden	AAA	3,000	12	0	3,000	
Svenska Handelsbanken	Bank	Sweden	AAA	3,000	12	0	3,000	
1000 Ontario, Province of	Other	Canada	AAA	3,000	12	0	3,000	
European Investment Bank	Supanational	Europe	AAA	5,000	12	0	5,000	
Monmouthshire Council	Local Authority	United Kingdom	AAA	5,000	12	3,000	2,000	
Greater Manchester Combined Auth	Local Authority	United Kingdom	AAA	5,000	12	0	5,000	
Manchester City Council	Local Authority	United Kingdom	AAA	5,000	12	0	5,000	
Lincolnshire County Council	Local Authority	United Kingdom	AAA	5,000	12	3,000	2,000	
New Counterparty 38	To be decided	0	0	0	0	0	0	
New Counterparty 39	To be decided	0	0	0	0	0	0	
New Counterparty 40	To be decided	0	0	0	0	0	0	
New Counterparty 41	To be decided	0	0	0	0	0	0	
New Counterparty 42	To be decided	0	0	0	0	0	0	

COUNTERPARTY LIMITS 31/03/2015
MAXIMUM OF £5m per Group (DMO- £20m)

Name	Institution	Country	Fitch Long Term Rating *	Individual Limit per LCD £000	Max Duration Months	Current Investment £000	Available Balance £000	Active
New Counterparty 43	To be decided	0	0	0	0	0	0	
New Counterparty 44	To be decided	0	0	0	0	0	0	
Total						39,000	183,000	0
Frozen Deals								
						0	0	
						0	0	
Total						0	183,000	0
Forward Deals								
						0	0	
Total						0	0	0
Money Market Funds								
RBS Gov't Back MMF		DO NOT USE	DO NOT USE	0	0	0	0	
RBS MMF		DO NOT USE	DO NOT USE	0	0	0	0	
Invesco		United Kingdom	AA+	5,000	36	800	4,200	
Goldman sachs Govt		United Kingdom	AA+	5,000	36	0	5,000	
Deutsche Global (Henderson)		Ireland	AA+	5,000	36	0	5,000	
Goldman sachs		United Kingdom	AA+	5,000	36	5,000	0	
Total						5,800	14,200	0
Grand Total						44,800	0	#REF!

Investment portfolio

Current Investment's @ 30/09/15

Institution	Amount	Rate	Date Deal made	Maturity Date	Trade Date	Broker
Current lending						
Salford CC	1,000,000	0.50%	08/09/2015	24/08/2016	08/09/2015	Tradition
London Borough of Enfield	2,000,000	0.50%	08/09/2015	18/08/2016	08/09/2015	Tradition
London Borough of Enfield	3,000,000	0.50%	11/08/2015	19/07/2016	11/08/2015	Tradition
Lancashire CC	5,000,000	0.53%	11/06/2015	09/06/2016	31/07/2015	Tradition
West Lothian Council	3,000,000	0.50%	01/06/2015	19/05/2016	01/06/2015	Tradition
Fife Council	2,000,000	0.45%	25/06/2015	29/03/2016	25/06/2015	Tradition
Dudley MBC	3,000,000	0.49%	15/04/2015	23/03/2016	15/04/2015	Tradition
Fife Council	3,000,000	0.49%	17/04/2015	17/03/2016	17/04/2015	Tradition
Lincolnshire County Council	3,000,000	0.40%	01/09/2015	01/03/2016	01/09/2015	Tradition
Woking Borough Council	5,000,000	0.45%	08/04/2015	29/01/2016	08/04/2015	Tradition
Birmingham CC	3,000,000	0.45%	22/04/2015	22/01/2016	22/04/2015	Tradition
Monmouthshire Council	3,000,000	0.45%	16/04/2015	23/12/2015	16/04/2015	Tradition
Blackpool BC	3,000,000	0.40%	28/05/2015	30/11/2015	28/05/2015	Tradition
Total 39,000,000						
Money Market Funds						
Invesco	800,000	Variable	Call			
Goldman sachs Govt	0	Variable	Call			
Deutsche Global (Henderson)	0	Variable	Call			
Goldman sachs	5,000,000	Variable	Call			
Total 5,800,000						
Grand total 44,800,000						

Forecast Interest 2015/16	Quarter 1 15/16 Year end forecast	Quarter 2 15/16 Year end forecast
	£'000	£'000
	Fund Managers @ 30/09/15	
Royal London Asset Management (Rlam)	44	56
Aberdeen Asset Management *	73	59
	117	115

Note:* Aberdeen asset Management formerly known as Scottish Widows Investment Partnership (SWIP).

Mkt Value Year end forecast @ 30/09/2015	Quarter 1 15/16 Year end forecast	Quarter 2 15/16 Year end forecast
	£'000	£'000
	Mkt Value Year end forecast @ 30/09/2015	
Royal London Asset Management (Rlam)	11,853	11,874
Aberdeen Asset Management *	9,548	9,548
	21,401	21,422

Glossary of terms

Authorised Limit – Represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desirable, could be afforded in the short term, but is not sustainable in the longer term.

Boundary Limit – Is an estimate of the authorised limit but reflects an estimate of the most likely, prudent, but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements.

CFR - Capital Financing Requirement- reflects the Council's underlying need to borrow for a capital purpose. It shows the total estimated capital expenditure that has not been resourced from capital or revenue sources. This requirement will eventually be met by revenue resources through the Minimum Revenue Provision mechanism.

CIPFA Prudential Code - is a professional code of practice to support local authorities in taking capital investment decisions. Local authorities determine their own programmes for capital investment in fixed assets that are central to the delivery of quality local public services in accordance with the Prudential Code.

Communities and Local Government (CLG) - Is a ministerial department, supported by 12 agencies and public bodies. They are working to move decision-making power from central government to local councils. This helps put communities in charge of planning, increases accountability and helps citizens to see how their money is being spent.

Consumer price index (CPI) - measures changes in the price level of a market basket of consumer goods and services purchased by households.

ECB - European Central Bank.

Fair value - Is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price

FED - The Federal Reserve System (also known as the Federal Reserve, and informally as the Fed) is the central banking system of the United States.

Financing Cost to Net Revenue Stream-The percentage of the revenue budget set aside each year to service debt financing costs.

FLS - Funding for Lending Scheme (FLS) was launched by the Bank and HM Treasury on 13 July 2012. The FLS is designed to incentivise banks and building societies to boost their lending to the UK real economy.

Gilt - is a UK Government liability in sterling, issued by HM Treasury and listed on the London Stock exchange.

Gross domestic product (GDP) - is the market value of all officially recognized final goods and services produced within a country in a given period of time (usually the fiscal year).

Local Authority Lender Option Borrower Option (LOBO) - The underlying loan facility is typically very long-term - for example 40 to 60 years - and the interest rate is fixed. However, in the LOBO facility the lender has the option to call on the facilities at pre-determined future dates, such as every 5 years.

Local enterprise partnerships - Are partnerships between local authorities and businesses. They decide what the priorities should be for investment in roads, buildings and facilities in the area.

London Interbank Bid Rate - the rate at which banks will bid to take deposits in Eurocurrency from each other. The deposits are for terms from overnight up to five years.

MPC - Monetary Policy Committee Interest rates are set by the Bank's Monetary Policy Committee. The MPC sets an interest rate it judges will enable the inflation target to be achieved.

MRP - Minimum Revenue Provision- Is a provision the council has set-aside from revenue to repay loans arising from capital expenditure financed by Borrowing.

Private Finance Initiative (PFI) - This is funding public infrastructure projects with private capital.

PWLB - Public Works Loan Board - is a statutory body operating within the Debt Management Office, an Executive Agency of HM Treasury.

PWLB certainty rate - A reduced interest rate from PWLB to principal local authorities, which provided required information to government on their plans for long-term borrowing and associated capital spending.

Quantitative easing (QE) -A government monetary policy occasionally used to increase the money supply by buying government securities or other securities from the market. Quantitative easing increases the money supply by flooding financial institutions with capital, in an effort to promote increased lending and liquidity.

Voluntary Revenue Provision (VRP) – This a discretionary provision to reduce the unfinanced capital expenditure (Borrowing) by additional loan repayments.

TITLE	Retrospective Purchase Orders
FOR CONSIDERATION BY	Audit Committee on 8 December 2015
WARD	None Specific
DIRECTOR	Graham Ebers – Director of Finance & Resources

OUTCOME / BENEFITS TO THE COMMUNITY

Offering excellent value for Council Tax Payers

RECOMMENDATION

That the Committee note the report and the actions being taken to reduce the incidence of raising retrospective purchase orders.

SUMMARY OF REPORT

This report details the progress being made to reduce the incidence of raising retrospective purchase orders (RPO). The last report presented to the Audit Committee was in September 2015.

The level of RPO's at the changeover to the new system in September 2014 rose to 48% which was as a result of the migration of data between the old and new systems. This has seen a downward trend in subsequent months.

The incidence of RPO's continue to be regularly discussed at the Extended Corporate Leadership Team meeting. This has raised the profile of the practice and the risk to financial management.

Reporting for the current month (October 2015) stands at 9%. A total of 61 (94 in August) RPO's were raised in the month. This covered some 57 (74 in August) suppliers.

The value of retrospective orders raised during October 2015 was £142,611 (£190,309 reported in August) and ranged from £24.48 to £39,288.14. 7 of the total were in excess of £5,000, none of which were in excess of £50,000. The largest RPO was raised for £39,288 against Optalis which relates to the integration programme with Health.

Finance business partners continue to work across the council to minimise the level of RPO's being raised.

The attached information breaks this information down in more detail.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough

Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	Nil		
Next Financial Year (Year 2)	Nil		
Following Financial Year (Year 3)	Nil		

Other financial information relevant to the Recommendation/Decision
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N/A

Cross-Council Implications

N/A

Reasons for considering the report in Part 2

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List of Background Papers

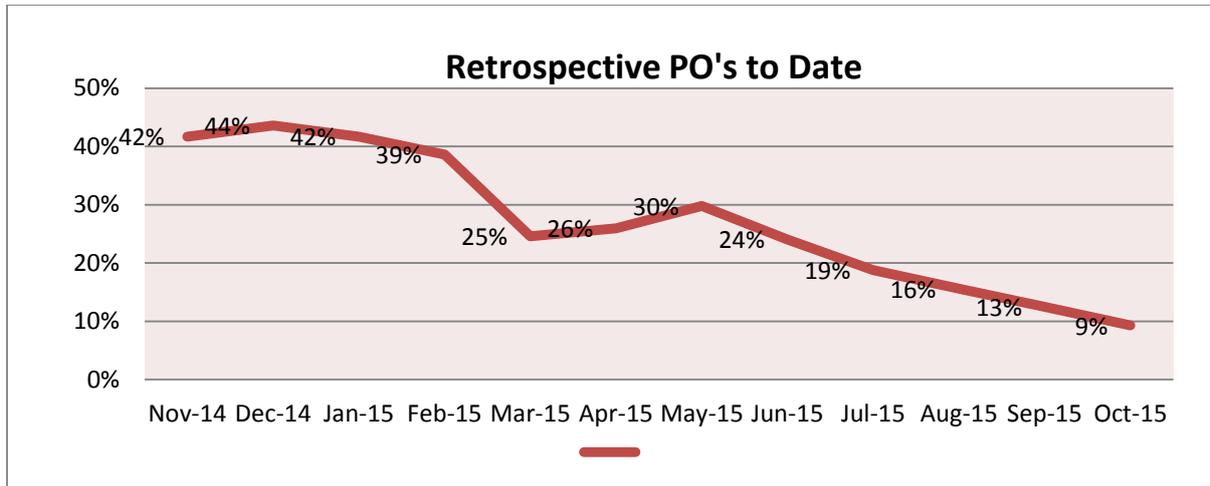
N/A

Contact Robert Stubbs	Service Finance & Resources
Telephone No 01189746559	Email rob.stubbs@wokingham.gov.uk
Date 20 November 2015	Version No. 1.0

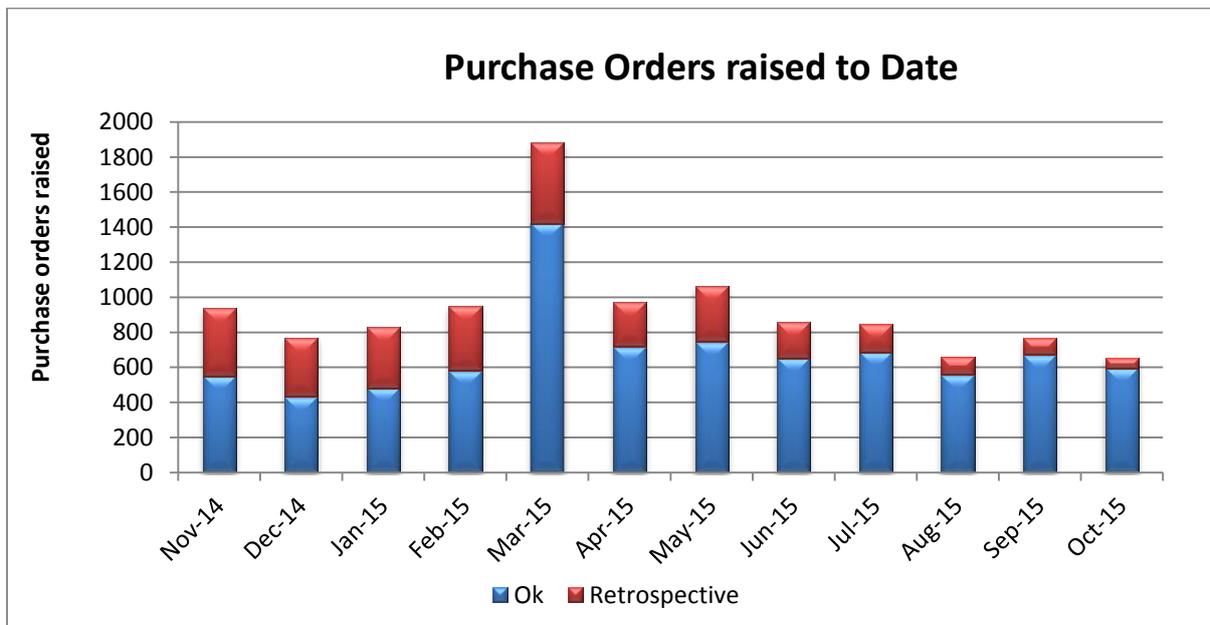
Retrospective Purchase Orders – Detailed Information

Retrospective Purchase orders – Incidence to date (post system Change)

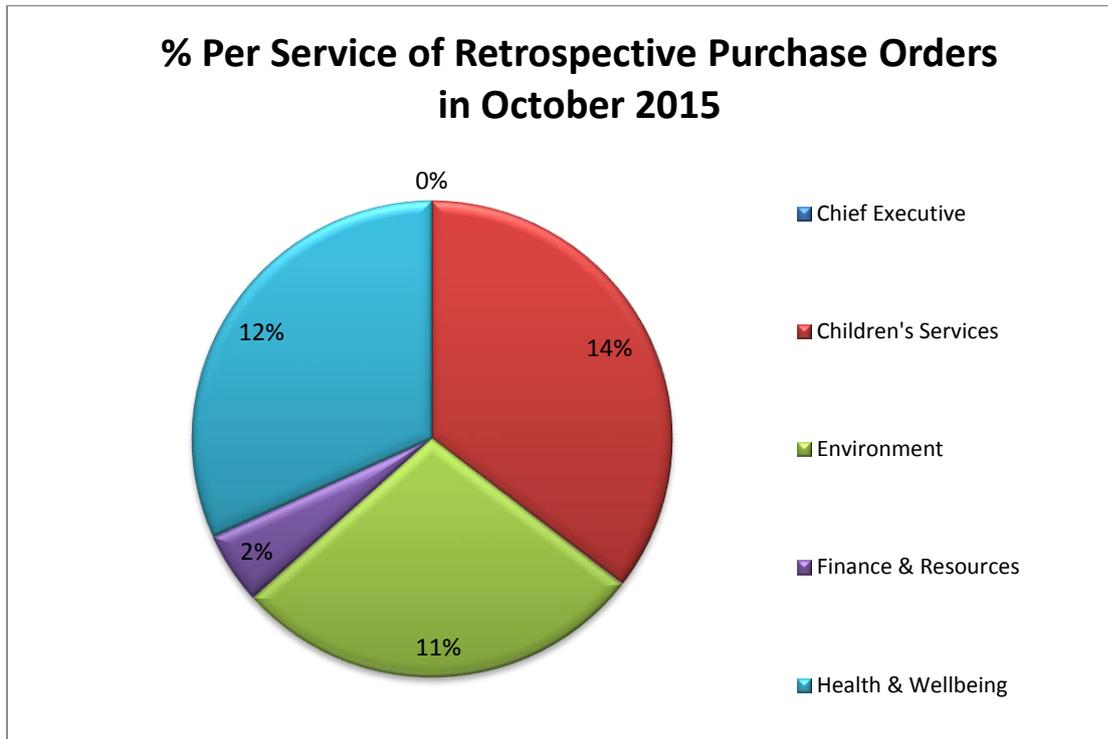
Retrospective purchase orders have reduced since the issues identified with the implementation of the new financial system.



The table below shows the levels of total purchase orders raised since November 2014 broken down between those raised correctly and those raised retrospectively. Work is continuing across the council to reduce this practice to a minimum.

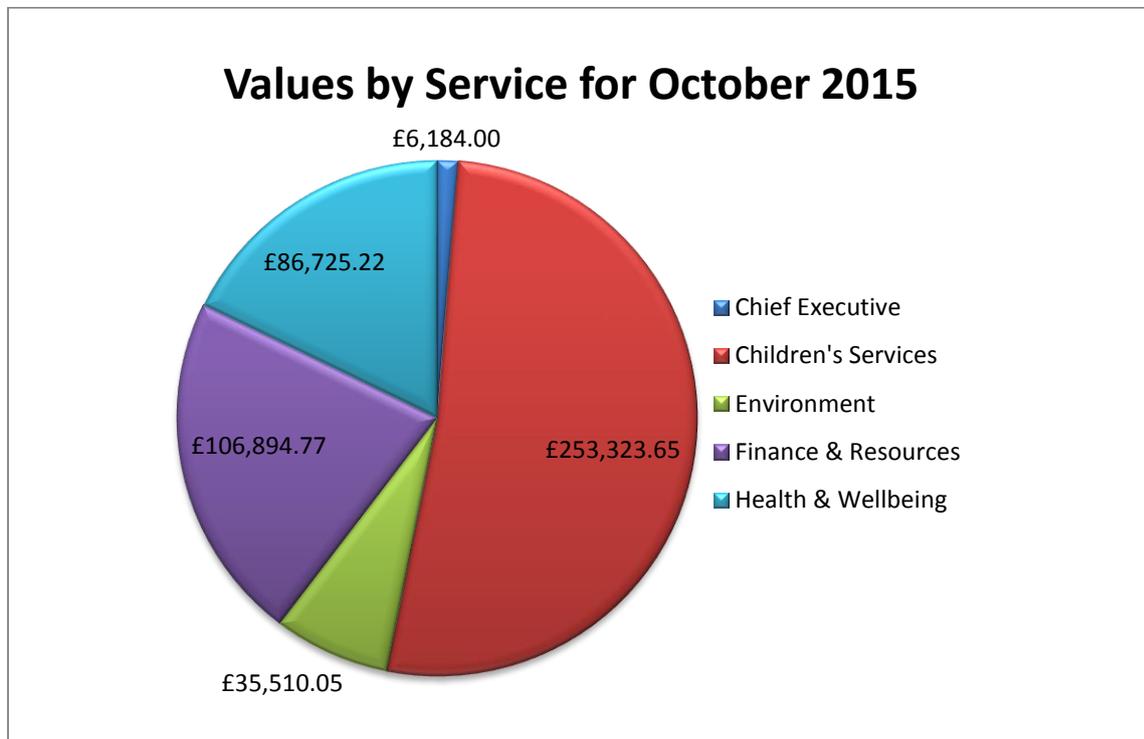


The chart and table below shows the percentage of RPO's by service during the month of October 2015.



Service Unit	Oct-2015			Oct Total
	OK	Retrospective	% Retrospective	
Chief Executive	27	0	0%	27
Children's Services	184	29	14%	213
Environment	108	13	11%	121
Finance & Resources	158	3	2%	161
Health & Wellbeing	115	16	12%	131
Grand Total	592	61	9%	653

The chart below details the total value of purchase orders raised retrospectively by each service.



The table below shows the numbers and values by service in ranges between £0 and £5000+

Service Unit	Oct-2015								Oct Total	
	£0 - £500		£501 - £1000		£1001 - £5000		£5001 +		Retrospective	Amount
	Retrospective	Amount	Retrospective	Amount	Retrospective	Amount	Retrospective	Amount		
Chief Executive	0	£0.00	0	£0.00	0	£0.00	0	£0.00	0	£0.00
Children's Services	14	£4,034.67	3	£1,758.62	8	£15,628.78	4	£50,702.92	29	£72,124.99
Environment	10	£2,145.42	1	£510.00	2	£3,472.98	0	£0.00	13	£6,128.40
Finance & Resources	1	£90.00	0	£0.00	1	£1,500.00	1	£10,082.40	3	£11,672.40
Health & Wellbeing	8	£1,023.60	3	£1,675.00	3	£4,878.72	2	£45,108.14	16	£52,685.46
Grand Total	33	£7,293.69	7	£3,943.62	14	£25,480.48	7	£105,893.46	61	£142,611.25

The table below identifies those orders and suppliers where the value of the invoice was greater than £5,000.

Row Labels	SupplierID(T)	Cost Centre(T)	Order Num	Sum of Amount
Children's Services	Adviza Partnership	Special Education Needs - Staffing	8017287	£24,000.00
Children's Services	Capita Resourcing Ltd (Veredus)	Service Managers - Strategy & Partnership	8017755	£13,680.00
Children's Services	Silver Birch Care Ltd	Children's Homes Purchasing	8017132	£6,642.84
Children's Services	Pilgrim's Corner Ltd	Children's Homes Purchasing	8017626	£6,380.08
Children's Services Total				£50,702.92
Finance & Resources	Virgin Media Business Ltd (All other accounts)	Business Systems	8017604	£10,082.40
Finance & Resources Total				£10,082.40
Health & Wellbeing	Optalis Limited	Better Care Fund	8017494	£39,288.14
Health & Wellbeing	Fergal Contracting Company Ltd	Travellers - Clean Up	8017226	£5,820.00
Health & Wellbeing Total				£45,108.14
Grand Total				£105,893.46

TITLE	Authorised Signatories - Financial Regulations
FOR CONSIDERATION BY	Audit Committee on 8 December 2015
WARD	None specific
DIRECTOR	Graham Ebers, Director of Finance and Resources

OUTCOME/BENEFITS TO THE COMMUNITY

The Council demonstrates the highest levels of financial management and integrity which means that the council tax payers money is managed safely.

RECOMMENDATION

- 1) That Audit Committee note the Director of Finance and Resources response to the concerns raised by Constitution Review Working Group (CRWG) on 9 November 2015;
- 2) That Audit Committee note the proposed changes to financial regulations in the next review of the Council's Constitution, to exclude operational detail where appropriate including the removal of the authorised signatories paragraph 12.1.12.13 and its inclusion in an operational manual.

SUMMARY OF REPORT

An updated set of financial regulations was submitted to the Constitution Review Working Group (CRWG) on 9 November 2015. One of the proposed changes was an increase in the number of authorised signatories for financial transactions. The Members of CRWG were concerned about the reasons for the increase and requested that a report on the proposal be submitted to Audit Committee.

Background

The Constitution is reviewed on a regular basis and updates made as required to ensure it meets the changing needs of the Council, and reflects change in structures, services and legislative changes. The amendments proposed are considered by CRWG prior to submission to Council.

A number of changes to financial regulations were proposed by the Director of Finance and Resources to CRWG. The requested changes were largely approved with the exception of a request for a change in the number of authorised signatories. CRWG were concerned with several issues on this specific item, namely the proposed increase in the number of signatories, whether there was sufficient segregation of duties, and if the financial limits that existed were appropriate.

Analysis of Issues

The concerns raised by CRWG have been considered by the Director of Finance and Resources as set out below, which should address the concerns raised by CRWG.

- The current paragraph on authorised signatories in the financial regulations,

12.1.12.13 has always been a summarized version, and does not show the detailed arrangements for segregation of duties, the financial authorisation limits for specific post holders, or the limits above which two authorisers are required. The additional detail was not included as the Director did not consider it appropriate, and also would have made the paragraph significantly more lengthy and complicated. The Director's aim has been to ensure that financial regulations are as comprehensive as required, but do not contain detailed operational information which is not appropriate for inclusion in the Constitution.

- The Director of Finance and Resources has delegated his authority as authorised signatory to several senior members of staff to undertake his responsibilities; that practice is within his delegated authority. This is similar to the practice for other areas of his work, which again is delegated to various officers. The proposal to CRWG to increase authorisation numbers was requested in order to designate those staff who had powers delegated to them as specific authorisers.
- The segregation of duties is achieved by the principle that one person is approved to set up a transaction, and a different person is authorised to approve the transaction. The great majority of transactions are undertaken on computerised systems which are programmed so that two or more persons are required to process transactions. A very small number of cheques (less than ten each year) are handwritten and signed manually, in emergencies only. The segregation of duties is strictly adhered to and is one of the key control issues included in the regular audits of corporate financial and treasury management processes.
- A detailed operational manual is now in place which sets out all the relevant information for authorised signatories based on the current approvals set out in paragraph 12.1.12.13, including the job titles of the authorised postholders together with their authorisation limits, whether staff are able to raise or authorise transactions, and the financial limit at which two or more authorisers are required, the postholder's access to specific systems, plus any other relevant information

In the light of further consideration of the issues raised by CRWG, the Director of Finance and Resources' view is that the paragraph on authorised signatories, 12.1.12.13, is operational in nature and is not appropriate for inclusion in the Constitution. It is more usual for the Chief Financial Officer (CFO) of a local authority to have the authority to nominate authorised signatories, and not to include the detail within the constitution, but to include them in a separate schedule which is subject to audit review to ensure rigorous control is maintained. For the next review of the constitution, the Director is proposing to review the financial regulations to identify those issues which are operational in nature, and will propose their removal from the constitution where it is relevant, and inclusion in the operational manual where appropriate. The operational manual will be included within the next audit review of authorisation processes (which will cover all the issues raised above) and this will ensure the control mechanisms are maintained securely and audited annually.

Corporate Implications

The report is in respect of the Council's financial regulations which are included in the Constitution.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A	N/A	N/A
Next Financial Year (Year 2)	N/A	N/A	N/A
Following Financial Year (Year 3)	N/A	N/A	N/A

Other financial information relevant to the Recommendation/Decision

N/A

Cross-Council Implications

The financial regulations cover all financial transactions of the Council

List of Background Papers

The draft financial regulations submitted to CRWG 9 November 2015

Contact Stephen McGrail	Service Finance and Resources
Telephone No 0118 974 6560	Email Stephen.McGrail@wokingham.gov.uk
Date 27 November 2015	Version No. 1

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TITLE	Internal Audit and Investigation Q2 Progress Report 2015/16
FOR CONSIDERATION BY	Audit Committee on 8 December 2015
WARD	None Specific
LEAD OFFICER	Catherine Hickman, Service Manager – Shared Audit & Investigation Service (Head of Internal Audit)

OUTCOME / BENEFITS TO THE COMMUNITY

The Internal Audit and Investigation Progress Report detail the work of the team from the 1 April 2015 until 30 September 2015. This is an update on the progress towards the formation of the Head of Internal Audit opinion which forms part of the Annual Governance Statement. It provides assurance through the Audit Committee to Council and the wider public that the Council is managing its key risks and identifies any weaknesses identified in the governance, risk management and internal control environment. This assurance supports the Council in the achievement of its vision, priorities, principles and objectives and provides for better and improved outcomes for our residents.

RECOMMENDATION

The Audit Committee is asked to note the Internal Audit and Investigation Progress Report (attached).

SUMMARY OF REPORT

The report summarises the work completed by Internal Audit and Investigation during the period and enables the Committee to discharge its oversight function in relation to these activities.

The report provides the opportunity for the Service Manager, Shared Audit and Investigation Service to provide details of the work undertaken this financial year and highlight any areas of weakness the Committee should be aware of.

Background

This progress report fulfils two functions for the Audit Committee:

- It enables the committee to hold the Service Manager, Audit and Investigation Service to account for the performance of internal audit and investigation.
- It facilitates the Audit Committee in holding management to account for managing weaknesses identified during the course of internal audit and investigation activities.

Analysis of Issues

The Committee should ensure that the coverage, performance and results of Internal Audit and Investigation activity are clearly communicated to the Audit Committee and any additional assurance requirements are identified by the Committee.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A	Yes	N/A
Next Financial Year (Year 2)	N/A	Yes	N/A
Following Financial Year (Year 3)	N/A	Yes	N/A

Other financial information relevant to the Recommendation/Decision

Not applicable

Cross-Council Implications

Not applicable

Reasons for considering the report in Part 2

Not applicable

List of Background Papers

None

Contact: Catherine Hickman	Service: Service Manager - Shared Audit and Investigation Service.
Telephone No: 07917265742	Email: Catherine.Hickman@wokingham.gov.uk
Date 18 November 2015	Version No. v1

Shared Audit and Investigation Service
Wokingham Borough Council
2015/16 Interim Progress Report (to 30 September 2015)
Audit Committee 8 December 2015

1. INTRODUCTION

- 1.1 This report summarises the work of the Shared Audit & Investigation Service for Wokingham Borough Council from 1 April to 30 September 2015. There are three key areas of the services work; Internal Audit, Governance and Investigations.
- 1.2 Internal audit is a statutory function under the Audit and Accounting Regulations 2015. Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.3 Investigation work involves the proactive prevention, detection and investigation of fraud, corruption and wrong-doing. The main focus of this activity is financial fraud against committed against the council. However the team can use their skills in other relevant cases i.e. disciplinary investigations.

2. INTERNAL AUDIT

2.1 Performance against Audit Plan to 30 September 2015 is as follows:-

- Appendix A (I) presents progress made against the 2015/16 Internal Audit Plan to 30 September 2015. At the end of September 2015 progress on the plan was delayed mainly due to a number of audits were deferred to later in the year at the request of management. The flexibility and resilience of the Shared Audit and Investigation Service (SAIS) has enabled resources to be deployed elsewhere to enable the channelling of required resources to the deferred audit reviews later in the year at WBC.
- Based on audits at Final Report stage for the period up to the end of September 2015, assurances can be given that most key Treatment Measures are in place and are operating effectively, with the majority of residual risks being reduced to an acceptable level and reported concerns being of a moderate impact or less. Where appropriate, managers have revisited their Treatment Measures to ensure they are sufficiently robust and operating as described.
- Delivery of the Audit Plan was affected by there being a vacant Auditor post during the first part of the year. This has now been recruited to. One Investigation Officer was originally planned to provide time on audit work but this did not fully materialise as the main focus has been on their investigation priorities. Whilst a large investigation case was being progressed for Buckinghamshire County Council and Oxfordshire County Council, which has attracted extra income to the Shared Service. In order to bring the Plan back on track, a temporary contractor, with experience of WBC Key Financial

Systems, will be employed to the end of the financial year. In addition an Investigations Officer will deliver additional audit days.

- Contingency days to date have been spent on unplanned work requested by management in the following area: Schools Admissions and Pothole and Bus Subsidy Grant Certification.
- The Social Care Act audit has been cancelled following the Government's decision to delay implementation of phase 2 until 2020. The strategic risk on the Corporate Risk Register is being updated accordingly.
- The Children's Safeguarding Audit and the Local Safeguarding Children's Board work has been cancelled following the Ofsted inspection which will provide assurance over these areas.

3. DEVELOPMENT OF NEW SYSTEMS / SPECIAL PROJECTS

- Internal Audit has attended the Information Governance Group to advise on information security and governance issues. The focus of this work remains on Information Asset Register and the deletion of unnecessary data.

4. ADVICE ON DEMAND

Internal Audit has provided:-

- Advice on schools private funds;
- Comparative advice on the investigation of Information Governance Breaches with RBWM. Including benchmarking on the number and type of referrals;
- Advice in connection to a specific Information Governance Breach including a suggestion on preventing the future re-occurrence that has been actioned by the relevant officer; and
- Passed on relevant information gained from some consultancy work at RBWM in relation to increased pressure on the Homecare budget to the Director of Finance and Resources at WBC.

5. OTHER INFORMATION

- The Team has had exam success with one member successfully completing their Certified Practitioner of the Institute of Internal Auditors (CPIIA) studies and a second member of the team completing their first two exams out of five for the CPIIA level.
- The CIPFA/IIA Public Sector Internal Audit Standards require Internal Audit to have an External Review every five years against the Standards. Self-assessment work has been and will continue to be undertaken during the early part of 2016/17, with a view to having this External Review undertaken in mid to late 2016/17.

6. INVESTIGATIONS

- 6.1 The work undertaken by the Investigation Team has included re-active investigations as well as developing pro-active fraud drives on high risk areas such as Council Tax Reductions, Council Tax Discounts, Business Rates, Housing Tenancy and Highways Infrastructure.
- 6.2 The first six months performance of investigations covers the financial losses identified.

Table 1 Financial Results - Identified Losses to 30 September 2015

Area of Work	Value (£s)	Comments
Council Tax Reduction Scheme (CTRS)	£19,147	
Council Tax – discount/exemption	£2,961	
Social Care/Direct Payments	£191,048	Majority relates to a long, complex case. Individual had been in receipt of a personal budget to which they were not entitled since 2004. Civil case being prepared by Legal.
Other	£1,664	Includes - Discretionary Housing payment
Total Recoverable Debt Identified	£214,820	

- 6.3 There have been five council properties returned as a result of housing tenancy fraud. The notional value of these frauds, based on the Audit Commission’s “Protecting the Public Purse”, is £54,000.
- 6.4 The current position of the proactive drive work is outlined below.

Table 2 – Investigation Drives

Area of Drive	Comments
CTRS Compliance	Ongoing agreed new way of working
Highways Infrastructure	In progress
NNDR Exemptions	On hold due to management request
Housing Tenancy	Ongoing delivery of property return
Fraud Awareness	Development of training underway

- 6.5 The results so far of the National Fraud Initiative (NFI) are
- 12 records have been corrected for Tenants

- 34 blue badges have been cancelled
- 31 Adult Social Care records updated on Frameworki

6.6 The Investigations Team conduct a range of other investigations for which the cumulative position is as follows:-

- One Disciplinary investigation was completed;
- One completed investigation referred by the Monitoring Officer;
- Reactive response being undertaken to any referrals of Blue Badge misuse.

7. REGULATION OF INVESTIGATORY POWERS ACT

7.1 No investigation cases have been undertaken during the first six months of 2015/16 that have required Regulation of Investigatory Powers Act surveillance approval to be requested.

**2015/16 Wokingham Borough Council Internal Audit Plan Status
(as at 30 September 2015)**

AUDIT TITLE	DIRECTORATE	STATUS	OPINION
2014/15 Audits Carried Forward			
<u>Key Financial Systems</u>			
Housing Rents	Finance & Resources	FINAL	Limited
Capital Programme (Allocation, Accounting & Budgetary Control)	Finance & Resources	FINAL	Reasonable
Council Tax & NNDR	Finance & Resources	FINAL	Reasonable
Treasury Management	Finance & Resources	FINAL	Reasonable
BACS	Finance & Resources	FINAL	Reasonable
Bank Reconciliations	Finance & Resources	FINAL	Reasonable
Main Accounting	Finance & Resources	FINAL	Reasonable
Payroll	Finance & Resources	FINAL	Reasonable
Creditors	Finance & Resources	FINAL	Reasonable
Debtors	Finance & Resources	FINAL	Limited
<u>Internal Audit Assurance Work</u>			
Corporate Governance	Cross Cutting	FINAL	Exempt
Effectiveness of Internal Audit	Cross Cutting	FINAL	Exempt
Effectiveness of Audit Committee	Cross Cutting	FINAL	Exempt
Risk Management	Cross Cutting	FINAL	Reasonable
Major Corporate Projects	Governance & Improvement	FINAL	Reasonable
<u>Risk Based Internal Reviews linked to CRR</u>			
School Place Provision - Corporate Risk 2	Children's Services	FINAL	Reasonable
Safeguarding Vulnerable Children - Corporate Risk 7	Children's Services	FINAL	Reasonable
Safeguarding Vulnerable Adults - Corporate Risk 8	Health & Wellbeing	FINAL	Reasonable
Health and Social Care Failure - Corporate Risk 27	Health & Wellbeing	FINAL	Reasonable
Delivery of Key Objectives - Corporate Risk 14	Finance & Resources	FINAL	Reasonable
Strategic Infrastructure Provision - Corporate Risk 19	Environment	FINAL	Reasonable
<u>Internal Audit Consultancy & Advisory Work</u>			
Facilitating the AGS	Cross Cutting	FINAL	Exempt
<u>2015/16 Audits</u>			
CS Health & Safety (Corporate Manslaughter)	Children's Services	DRAFT	
School Admissions	Children's Services	DRAFT	
Implementation of Children's & Family Act	Children's Services	WIP	
Procurement Cards	Finance & Resources	FINAL	Reasonable
IT Gateway Audit	Finance & Resources	WIP	
Leisure Trust - C-Salt	Environment	DRAFT	
Transport Capital Grant	Environment	WIP	
Judicial Review	Cross Cutting	WIP	

Business Continuity Planning	Cross Cutting	WIP	
Health & Safety (Corporate Risk)	Cross Cutting	WIP	
Contract Auditing*	Cross Cutting	DRAFT	
Adult Social Care - Personal Budgets	Health & Wellbeing	WIP	
Housing Repairs and Adaptation	Health & Wellbeing	DRAFT	
Decent Homes Backlog Grant	Health & Wellbeing	FINAL	Exempt
Town Centre Regeneration	CEO	WIP	
<u>Consultancy</u>			
Waingels School	Finance & Resources	FINAL	Exempt
<u>Audit Opinion - Legend</u>			
Outstanding	A cost effective control system is in place commensurate with the risks facing the activity. Compelling evidence is found to corroborate the conclusion that the control systems are operating as expected.		
Good	A system of control is in place that is designed to assist in the achievement of service objectives. Strong evidence is available to support the conclusion that controls are operating as expected.		
Reasonable	A system of control is in place that is designed to assist in the achievement of service objectives although there may be opportunities to improve controls. Some evidence is available to support the conclusion that controls are operating as expected.		
Limited	A system of control is in place but omits one or more key elements from its design. Alternatively, the auditor may be unable to find any firm evidence that a system is operating as expected. There is a quantifiable risk that service objectives will not be achieved and/or a serious loss (financial or otherwise) will be suffered by the Council.		
Nil	Key features of internal control are missing from the system. The effect of this is to create a strong likelihood that service objectives will not be achieved and/or a serious loss (financial or otherwise) will be suffered by the Council.		
Exempt	Exempt from classification		

**WOKINGHAM BOROUGH COUNCIL'S AUDIT COMMITTEE FORWARD PROGRAMME –
2015/16 MUNICIPAL YEAR**

DATE OF MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE OFFICER
Wednesday 10 February 2016	1.	Certification of Claims and Returns – Annual Report 2014/15	Ernst & Young
	2.	Treasury Management Strategy 2016/17	Graham Ebers, Director of Resources
	3.	Corporate Risk Register Update	Business Improvement
	4.	Internal Audit Plan & Strategy Refresh 2016/17	Shared Audit and Investigation Service
	5.	Shared Audit and Investigation Service Progress Report	Shared Audit and Investigation Service
	6.	External Quality Assessment	Shared Audit and Investigation Service
	7.	Retrospective Purchase Orders	Rob Stubbs, Head of Finance
	8.	Transport Infrastructure Assets	Graham Ebers, Director of Resources
	9.	Member Training and Accounting Changes/Updates	Graham Ebers, Director of Resources

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Agenda Item 42.

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